STATE FORM AND STATE STRATEGY: THE CASE OF THE KIM DAE JUNG REGIME IN SOUTH KOREA (1998-2003)

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Abstract

This study explores the Kim Dae Jung regime's (1998-2003) implementation of the restructuring policy of the *chaebol* (i.e., the mega industrial conglomerates in Korea) in order to demonstrate that the capitalist state is located within a complex dialectic of structures (forms) and strategies. In addition, this thesis critically reviews some contentious issues in the field of capitalist state theory.

Applying major state theories to the case of the Korean state, this study defines the *form* of the Kim Dae Jung state as an ensemble of its 'exacerbated dependency' at the international level; 'increased labour power' at the level of social formation; and 'fragile state unity' at the level of the political regime. The *form* of the Kim Dae Jung state is emphasized as a binding structure which regulated the development of the government's chaebol reform policy. At the same time, in order to overcome the fallacy of the form-determination thesis, the capitalist state (the Kim Dae Jung state) is stressed as a social relation that can be analysed as 'the site, the generator and the product of strategies'.

Within the analytical framework of the dialectical complex of 'structure and strategy', this study investigates the successful and/or detrimental structural conditions of the chaebol reform policy and the strategies of the state and social classes to capitalise on and/or overcome those conditions.

Apart from dealing with the Korean case, this research is concerned with the review of state theory. With regard to the state's relation with the economy in capitalism, the mainstream intellectual tendency is challenged: the tendency to accept a dichotomous relation between the state and the economy and confirm the absence of state intervention in neo-liberalism. The class nature of the capitalist state is also an important issue in this study. Revisiting the 'Miliband-Poulantzas debate', this study demonstrates that the capitalist state is *not* 'a committee for managing the common affairs of the whole bourgeoisie.' More importantly, this study reveals (for the first time) the hard-core of Poulantzas' theory (i.e., *the reproduction mechanism of the economic system*) and demonstrates that the lack of the understanding of this 'reproduction mechanism' has caused a serious degree of misunderstanding of Poulantzas among state theorists (including Bob Jessop, Stuart Hall and Ralph Miliband). Finally, this study suggests that it is constructive to investigate contemporary issues, i.e., globalisation, Euro-capitalism and American imperialism in the context of *the reproduction mechanism* of the whole world capitalist system.

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Abbreviations

BOK: Bank of Korea
CAGE: Civil Action for the 2000 General Election
CCEJ: Citizens' Coalition for Economic Justice
CFE: Centre for Free Enterprises
CFSRL: Corporate and Financial Sector Restructuring Loan
CMP: Capitalist Mode of Production
CPAJ: Catholic Priests Association for Justice
CR: Corporate Restructuring
CRA: Corporate Restructuring Agreement
CRCC: Corporate Restructuring Coordination Committee
CSIP: Capital Structure Improvement Plans
DJP: Democratic Justice Party
DKP: Democratic Korean Party
DLP: Democratic Liberal Party
DP: Democratic Party
DRP: Democratic Republican Party
EPB: Economic Planning Board
FEM: Federation of Environmental Movements
FKI: Federation of Korean Industries
FKTU: Federation of Korean Trade Unions
FSC: Financial Supervisory Commission
FTC: Free Trade Commission
GNP: Grand National Party
HCI: Heavy and Chemical industries
IFJ: International Federation of Journalists
IMF: International Monetary Fund
KBA: Korean Bar Association
KCCI: Korea Chamber of Commerce and Industry
KCTU: Korea Confederation of Trade Unions
KEF: Korea Employers' Federation
KERI: Korea Economic Research Institute
KFSB: Korea federation of Small Business
KITA: Korean International Trade Association
KLI: Korea Labour Institute
KPD: German Communist Party
KTC: Korea Tripartite Committee
KTUC: Korea Trade Union Congress
KWNS: Keynesian Welfare National State
MDP: Millennium Democratic Party
MOFE: Ministry of Finance and Economy
MOGAHA: Ministry of Government Administration and Home Affairs
MOLA: Ministry of Labour Affairs
MOU: Memorandum of Understanding
NBFI: Non-Bank Financial Institutions
NCLMO: national Council of Labour Movement Organizations
NCNP: National Congress for New Politics

NCU: National Conference for Unification
NDP: New Democratic Party
NDRP: New Democratic Republican Party
NEC: National Election Commission
NGO: Non-Governmental Organisation
NKP: New Korea Party
NKDP: New Korea Democratic Party
OECD: Organization of Economic Cooperation and Development
OPM: Office of the Prime Minister
PCI: Italian Communist Party
PCIR: Presidential Commission on Industrial Relations Reform
PPD: Party for Peace and Democracy
PSPD: People's Solidarity for Participatory Democracy
RDP: Reunification Democratic Party
SCS: Schumpeterian Competition State
SNBC: The Second Nation Building Commission
SNBM: The Second Nation Building Movement
ULD: United Liberal Democrats
WB: World Bank
WL: Women Link

INTRODUCTION

Amid the turbulent Asian crisis in 1997, the Korean economy collapsed and the glorious myth of the remarkable economic development of the country evaporated. Korea turned to the International Monetary Fund (IMF) for help and accepted the conditions attached to a $57 billion bailout package, i.e., the structural overhaul of the Korean economy. With this agreement, the country was actually put under IMF trusteeship and temporarily lost its economic sovereignty. The government was to consult the IMF in setting its economic policies from then onwards.

In this turmoil Kim Dae Jung became the first president to achieve office as an opposition party candidate in the 1997 presidential election. Kim Dae Jung managed to take office in the wake of the 1997 economic collapse, the main cause of which was attributed to a number of problems related to the *chaebol* (the mega industrial conglomerates in South Korea). Thus, the chaebol reform became the imperative task the Kim Dae Jung regime faced. Attributing the cause of the 1997 crisis to the failure of the old state-led development model of Korea, Kim Dae Jung launched a policy of radical change in the state-capital relationship. The regime began to impose a new style interventionist restructuring policy in both the industrial and financial sectors.

The purpose of this study is to demonstrate that the Kim Dae Jung state was located within a complex dialectic of structures and strategies by investigating the Kim Dae Jung regime (1998-2003) as a capitalist state implementing a radical corporate restructuring policy. However, instead of focusing on the concrete chaebol reform measures, I will attempt to analyse the aspects of the institutional structure and socio-political base of the Kim Dae Jung regime that were revealed during the process of the corporate de-concentration policies. This attempt must answer the two central questions in this study: 1) What were the successful and/or detrimental structural

conditions to the Kim Dae Jung regime's chaebol reform policy? 2) How did the state and social classes deploy their strategies to capitalise on and/or overcome those conditions? Success in answering the central questions would also answer additional questions: Why did Kim Dae Jung's leadership collapse? What was behind the contradiction between Kim Dae Jung's enunciation of two neo-liberal principles (i.e., liberal democracy and the market economy) and his policy of state interference in economic forces? What caused the apparent retreat of the chaebol reform in the second half of the Kim Dae Jung regime? What was the main factor to the frustration of Korean labour? And, finally, why did the Kim Dae Jung regime not succeed in consolidating the unity of the nation?

In this thesis I demonstrate that the answers are closely related to the unique and concrete *form* of the Kim Dae Jung state. To achieve my purpose I rely on three major state theories. First is the theory of Bob Jessop, who suggested a methodological guideline on how we should study the capitalist state. Second is the theory of the German 'state derivation approach', whose main contribution to the field of state theory was the theoretical enrichment of the proposition that 'state form problematises state function.' Third, this study is indebted to the sharp insight of Nicos Poulantzas who developed a scientific attempt to design the typology of the capitalist state and made an enormous contribution to the theorisation of the problem of 'the concrete forms' of the state.

I start my research by first revealing how the investigation of the Kim Dae Jung state is conducted in this study. Bob Jessop argues that the study of state policies or activities should be based on an analysis of a set of three dimensions that concern the institutional structure of the state; the forms of political representation, intervention and internal organization (Jessop 1990: 345). This, on the premise of the

state as an institutional ensemble, implies that state forms and regime types can be distinguished in terms of the differential articulation of political representation, state intervention and internal organisation. However, according to him, a concrete analysis of state activities needs more than investigating its institutional aspects. Jessop argues that the concrete analysis of state activities needs not only investigating its institutional aspects but also analysing socio-political bases of the state which concerns a set of three dimensions; the social bases of state power, state projects, and hegemonic projects (Jessop 1990: 345).

Following Jessop's theory, my thesis investigates the chaebol reform (the activities of the Kim Dae Jung state) in the context of the institutional aspects of the Kim Dae Jung state and its socio-political bases. In particular, I attempt to analyse how the Kim Dae Jung regime represented the political interests of chaebol during the process of the chaebol reform; what was the mode of the regime's intervention with the chaebol; and how internal organisation affected the reform. In addition to this effort, I also investigate how the socio-political basis of the state influenced the implementation of chaebol reform by the government.

However, the above attempt would be a limited analysis if it did not take into consideration the specific conjunctural form of the state. The investigation of six dimensions can become practically relevant only when those are thought of in the context of the concrete form of the capitalist state at a determinate conjuncture. Thus, I attempt to define the concrete *form* of the Kim Dae Jung state. Although all capitalist states (regimes) share the same invariable form (which is an institutional separation of the political from the economic), every capitalist state at a determinate conjuncture has its own unique form. Only on this basis, would it be possible to differentiate, for example, the form of the Tony Blair regime from that of the

Margaret Thatcher regime. Although states share certain common and essential characteristics, it is important to examine each in its own terms rather than treat all capitalist states as identical because of their common foundation. The concrete form of the state shaped by internal and external factors at a determinate conjuncture must be considered as the independent variable to which the state's activities are subject in its policy implementation. Otherwise, it would be impossible to explain why the state's relation with the chaebol manifested in the Kim Dae Jung regime was different from that of previous regimes in Korea.

For this reason I go to the theorists of the German 'state derivation' school and Nicos Poulantzas. The key point of the state derivation approach is its proposition that the form of the state problematises the function of the state: In other words, the form of the state is a binding structure within which state activities and policies are limited. However, as this proposition concerns the general form of the capitalist state, I look to Poulantzas who studied the concrete forms of the capitalist state and found the state's correspondence to internal and external factors on three different levels. These three levels are: the state's position in the world economy at an international level; the social formation of the state at domestic level; and the political situation at a determinate conjuncture at the level of regime. It follows that because the form of the state is subject to variables at the above three levels, it is a structure within which the availability of state actions and policies is limited.

Following the above theoretical framework, I define the *form* of the Kim Dae Jung state at the three different levels. I argue that on the international level the traditional dependency of the Korean state in the world economy became exacerbated under the Kim Dae Jung regime in the wake of the outbreak of the 1997 crisis, which put the regime under the economic control of the International Monetary Fund. On the

level of social formation I demonstrate that the relative autonomy of the Kim Dae Jung regime faced an unprecedented upheaval in the labour force. Finally, I argue that on the level of the form of regime the Kim Dae Jung state corresponds to the fragmentation of state unity. In sum, I conclude that the *form* of the Kim Dae Jung state expresses itself as an ensemble of 'exacerbated dependency', 'increased labour power' and 'fragile state unity'. This state form is the binding structure within which the mode of state activities is limited in the chaebol reform process.

This three fold specification of the *form* of the Kim Dae Jung state requires that the chaebol reform should be investigated in a more complex way from hitherto. Rather than analyzing just the institutional aspects and the socio-political bases of the state, this thesis also takes into consideration how the binding forms of the state influenced the process of the chaebol reform implementation. This implies that I should analyse how the *form* of the state (i.e., the composition of 'exacerbated dependency', 'increased labour power', 'fragile state unity') determined the aspects of the political representation and state intervention in the chaebol reform and how the internal organization affected the reform. In addition, I should investigate how the *form* of the state determined the socio-political bases on which chaebol reform unfolded.

However, here we encounter another theoretical problem: Are the outcomes of state policies predetermined by the form of the state? Do state actions remain subject to the binding features of its form of structure? Was the chaebol reform destined to fail owing to the 'exacerbated dependency', the 'increased labour power' and the 'fragile state unity'? Is the state nothing other than a powerless entity subject to internal and external variables?

To reply to these questions, I go back again to Jessop who contributes to the field of state theory by applying the concept of 'strategy' to existing state theories. Jessop argues that the state is a social relation that can be analysed as the site, the generator and the product of strategies (Jessop 1990: 255). This argument has three major implications. First, the state system is the site of strategy. It can be analysed as a system of strategic selectivity, i.e. as a system whose structure and *modus operandi* are more open to some types of political strategy than others. Secondly, the state is also a site where strategies are elaborated. Thirdly, the structure and *modus operandi* of the state system can be understood in terms of their production in and through past strategies and struggles. Therefore, every activity of the state can be analysed in terms of the strategy dimension (Jessop 1990: 260).

This Jessopian concept of 'strategy' prevents state analysis from being reduced to form-determination, and allows us more resources to investigate the wider mode of state actions. According to that conception the state has become an autonomous entity able to deploy various strategies to break its surrounding structure. By paying attention to this analytical insight, I will investigate whether the Kim Dae Jung regime was able to overcome the above-mentioned constraints. This is the general schema of my thesis.

The structure of the thesis is as follows. In chapter one, I will review the general issues and approaches concerning the capitalist state. Revealing the limits of the Marxist and non-Marxist approaches in state analysis, I suggest that we take a middle-path approach (between Marxist and non-Marxist approaches). This chapter sets out the underpinning theory of this thesis, which holds that an analysis of state policy should be based on an investigation of the institutional aspects of the state (i.e.,

the forms of political representation, internal organisation, and state intervention) as well as of the socio-political bases of state power.

Chapter two is designed to give us an understanding of the form of the capitalist state. First, I review the most general form of the capitalist state, i.e., *the particularised state form in the capitalist mode of production* (CMP). Second, the review is followed by that of the concrete form of the capitalist state. This chapter introduces the proposition that 'state form problematises state function' to stress a binding structural feature of the form of the state which constrains state activities. As a preliminary step to define the *form* of the Kim Dae Jung state, I will investigate how Poulantzas analysed the fascist state as a concrete form of the capitalist state corresponding to a specific conjuncture.

However, while stressing the binding structural feature of the form of the state, I introduce the concept of 'strategy of the state' to highlight the aspect of the state as the site and generator of strategy. By combining both approaches, I will argue that the state is located within a complex dialectic of structures and strategies.

In chapter three, I will define the concrete *form* of the Kim Dae Jung state. I demonstrate that the *form* of the Kim Dae Jung state was constituted by 'exacerbated dependency' on the international level; 'increased labour power' on the level of social formation; and 'fragile state unity' on the level of the political regime.

Next, on the basis of the schema envisaged in the early three chapters, I then begin to investigate the Kim Dae Jung state, with the chaebol reform as the main object of investigation.

In chapter four, I investigate a state project launched by the Kim Dae Jung regime. The *form* of 'fragile state unity' was a significant political weakness of the regime. It was a given disadvantageous structure which was to constrain a possibility

of the regime's successful implementation of reform packages including the chaebol reform. Kim Dae Jung initiated a state project to overcome the *form* of 'fragile state unity'. This chapter focuses on whether and why the state project was a success or a failure.

Chapter five explores state intervention into the chaebol in the context of the *form* of the Kim Dae Jung state. In implementing the chaebol reform the government's strong interventionist measures ignited a fierce controversy in the field of political economy. This controversy centred on the apparent contradiction between Kim Dae Jung's enunciation of the two main neo-liberal principles (liberal democracy and the market economy) and his policy of state interference with economic forces. In this chapter I will argue that the contradiction (i.e., the authoritarian form of state intervention by the neo-liberal government) was rooted in the dialectical combination of the *form* of the state (i.e., 'exacerbated dependency') and state strategy to capitalise on 'external dependency' to overcome another *form* of the state (i.e., 'fragile state unity'). In addition, I investigate the internal organisation of the government in its relation to the chaebol reform.

Chapter six deals with the form of the political representation of the chaebol's interests in the context of the *change of the form* of the Kim Dae Jung state. The departure of the IMF in 2000 accompanied the *change of the form* of the state in the second half of the Kim Dae Jung regime, which became characterised by 'increased capital power' (chaebol power) and 'exacerbation of state unity' (the ascendance of the opposition GNP power). I will demonstrate that the chaebol's interests were realised through the political support of the GNP (the largest force in the National Assembly) by the chaebol's successful strategy to capitalise on the *change of the form* of the state.

In chapter seven I will analyse the frustration of Korean labour in the context of the *form* of the Kim Dae Jung state. Korean labour was considered to be one of the strongest labour powers in the world at the time of Kim Dae Jung's inauguration in 1998. The power was materialised in the form of the institutional foundation of the Korea Tripartite Committee (KTC). Unexpectedly, however, the Korean labour unions suffered intense state repression and failed to attain their objectives under Kim Dae Jung's rule. I investigate the frustration of the labour unions in the context of the *form* of the Kim Dae Jung state and demonstrate that the Korean unions were placed under the double attack of 'exacerbated dependency' and 'fragile state unity'.

Chapter eight investigates the hegemonic project of the Kim Dae Jung regime again in the context of the *form* of Kim Dae Jung state. However, in this chapter I give attention to one more important aspect of the Kim Dae Jung state- that is, 'increased people's power' because a study of hegemonic project should take into account 'officialdom-people' relations. The dynamics of the Korean society can be efficiently explained by applying state-people relations. In particular, the Kim Dae Jung regime was founded on the social base of augmented people's power. In this chapter I argue that a success of a hegemonic project of the Kim Dae Jung regime was limited from the beginning owing to the *form* of the Kim Dae Jung state, and that it was further aggravated by the government's incorrect strategic orientation which challenged 'increased people's power'.

Apart from investigating the concrete case of the Korean state, I will critically review some important theories of the state and attempt to revise them in order to achieve the precise interpretation of the Korean capitalist state at the concrete level. This will be conducted by challenging the theories of Nicos Poulantzas and Bob Jessop (as well as borrowing their sharp insights).

In chapter five, I theoretically review a neo-liberal intellectual tendency in order to clarify the recent polemical confusion arising in the study of state roles in relation to neo-liberalism. I will argue that by breaking with the neo-liberal intellectual tendencies, we can correctly understand state intervention of the neo-liberal Thatcher regime in the UK and the Kim Dae Jung regime in Korea. In pointing out the errors of the neo-liberal intellectual consensus I will show that Jessop also commits the same kind of error in his understanding of the neo-liberal state. Poulantzas will not be free from critique either. In chapter seven, I will trace the epistemological origin of his class reductionism and structuralist tendency by revisiting the Miliband-Poulantzas debate. More importantly, I reveal a hard-core of Poulantzas' theory which has never been grasped by any state theorist so far: *'the reproduction mechanism of the economic system'*. This will be followed by my assessment that all critics of Poulantzas (e.g., Bob Jessop, Ralph Miliband, and Stuart Hall) have not succeeded in understanding the most important aspect of Poulantzas' theory. I will then critically evaluate Poulantzas' hard-core theory and demonstrate that by amending his theory we can have a much more precise and systematic interpretation of the capitalist state at the concrete level.

CHAPTER 1: MARXIST STATE THEORY: LIMITS AND ALTERNATIVES

Introduction

This chapter has two purposes; first, focusing on both Marxist and non-Marxist theory, I review the general issues and approaches concerning the capitalist state in contemporary state theory. I then introduce Bob Jessop's theory of the capitalist state as an alternative approach going beyond the limits of both approaches. I argue that the alternative approach avoids the dichotomy of both existing approaches (Marxist and non-Marxist theory) and that it is the major analytical framework for this thesis.

1.1 The Problem of the State: Approaches to State Theory

Although there has been a proliferation of literature on the subject of the definition of the state, no single definition has emerged as the dominant conceptual explanation in the disciplines of social science. The persistent conceptual elusiveness and ambiguity of the state has therefore made it remain difficult to explain exactly what is meant by the concept of the state. For this reason Adam Muller once declared that the state defies definition because its complexity places it beyond the grasp of finite minds (Hoffman 1995: 19). This is also why David Easton ardently argued for the abandonment of the concept. According to him, one person sees the state as the embodiment of the moral spirit, its concrete expression, whereas another sees it as the instrument of exploitation used by one class against others. One author defines it as simply an aspect of society, distinguishable from it only analytically; another, as simply a synonym for government; and still another, as a separate and unique association among a large number of other associations such as the church, trade unions, and similar voluntary groups (Easton 1991: 108). Easton comments that the

confusion and variety of meanings is so vast that it is almost unbelievable that over the last twenty-five hundred years in which the question has recurrently been discussed in one form or another, some kind of uniformity has not been achieved (Easton 1991: 107).

However, despite controversy over its definition, there are two mainstream interpretations of the analytical framework of the state in society - Marxist and non-Marxist. The two mainstream contentions have each faced problems, arising out of their respective analytical framework. In Marxist theory, a heated debate concerns the issue of the instrumentality of the state, i.e., whether the state is an instrument of class oppression. Whether this perspective is economic reductionism has been a major controversy in Marxist state theory. For non-Marxists, the problem of the state's boundary has been an as yet unfinished controversy (Easton 1991; Mitchell 1991). Let me begin by examining the Marxist interpretations.

1.2 Marxist Definitions of the State

1.2.1 The State as an Instrument of Class Oppression

In Marxism, the state is generally regarded as the instrument of one class to preserve political domination over other classes in capitalist society. This utility of the state as an instrument has two different characteristics depending on whether the state is considered to be subject only to one class, or whether state power can be considered to be taken by other classes as well. In orthodox Marxism the state serves only the bourgeois class, but in 'unorthodox' Marxism, the state serves the purpose of other classes.

The basic line of the orthodox Marxist argument on the instrumentality of the state is found in two classical propositions. Marx argues that "the history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician

and plebeian, lord and serf, guild-master and journeyman – in a word, oppressor and oppressed, stood in constant opposition to one another" (Marx 1988: 21). Lenin says that "the state is a special machine for the suppression of one class by another, and, what is more, of the majority by the minority" (Lenin 1988: 168). It is on the basis of the above propositions that Marx defines the capitalist state. In *The Communist Manifesto* he gives us the famous phrase that "the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie" (Marx 1985: 82). In the same vein, Engels stresses the bourgeois nature of the capitalist state arguing that "the state was the official representative of society as a whole; the gathering of it together into a visible embodiment. But it was this only in so far as it was the state of that class which itself represented, for the time being, society as a whole; in ancient times, the state of slave- owning citizens; in the middle ages, the feudal lords; in our own time, the bourgeoisie" (Engels 1988: 65). Accordingly, the state ceases to exist under communism: "when at last it becomes the real representative of the whole of society, it renders itself unnecessary. As soon as there is no longer any social class to be held in subjection..... a special repressive force, a state, is no longer necessary"[1] (Engels 1988: 65).

This represents the orthodox Marxist view toward the definition of the capitalist state. According to this definition the state is the instrument of the bourgeois

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[1] For non-Marxists it is hard to accept the argument that the state ceases to exist in communism. The question of who establishes order in society springs up. In *The State and Revolution* Lenin represents Marxists in answering the question. He says: " Communism makes the state absolutely unnecessary, for there is nobody to be suppressed – 'nobody' in the sense of a class, in the sense of a systematic struggle against a definite section of the population. We are not Utopians, and do not in the least deny the possibility and inevitability of excesses on the part of individual persons, or the need to suppress such excesses. In the first place, however, no special machine, no special apparatus of suppression is needed for this; this will be done by the armed people themselves, as simply and as readily as any crowd of civilized people, even in modern society, interferes to put a stop to a scuffle or to prevent a woman from being assaulted. And, secondly, we know that the fundamental social cause of excesses, which consist in the violation of the rules of social intercourse, is the exploitation of the people, their want, and their poverty. With the removal of this chief cause, excesses will inevitably begin to 'wither away'. We do not know how quickly and in what succession, but we know that they will wither away. With their withering away the state will also wither away" (Lenin 1988: 169)

class and it essentially works for the bourgeois class. Therefore, the capitalist state could not be democratic in terms of its class nature. Even if there was a parliamentary system, it was just an institutional vehicle designed for the smooth and permanent political domination of the bourgeois class. According to Lenin, Marx penetrated the essence of capitalist democracy when, in analysing the experience of the commune, he says that the oppressed are allowed once every few years to decide which particular representatives of the oppressing class shall represent and repress them in parliament (Lenin 1988: 167). Also, Lenin himself argues that "only in Communist society.....only then the state ceases to exist, and it becomes possible to speak of freedom. Only then will a truly complete democracy become possible and be realized, a democracy without any restrictions whatever" (Lenin 1988: 167-168). For Lenin, democracy for an insignificant minority (democracy for the rich) is the democracy of capitalist society (Lenin 1988: 166).

It was within this conception of the state as a bourgeois instrument that the socialist strategy to smash the capitalist state apparatus is based in the transition from capitalism to socialism. In view of the state's inability to change itself into a democratic instrument, orthodox Marxists felt that they would ultimately achieve their goal only by a 'forcible overthrow of all existing social conditions'[2] (Derfler 1973: 3).

By contrast, an 'unorthodox' Marxism, e.g., social democratic theory, is based on the availability of state power to the proletarian class when that class becomes a dominant class force in the social relations of capitalist society. This theory opened

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[2] For example, in *Social Reform or Revolution* (which contains the best Marxist reply to Bernstein's revisionism), Luxemburg claims that in capitalism class domination does not rest on 'acquired rights' but on real economic relations. Wage labour is not a juridical relation, but purely an economic relation. Therefore, according to her, trade union and parliamentary activity may reform, but can never abolish, capitalist relations of production. She then concludes that such an abolition can only be achieved by a revolution involving the conquest of political power by the working class (Luxemburg 1988: 111).

the possibility that state power could be available for the dominated class in capitalism. The social democratic tradition developed by Eduard Bernstein elaborated on the notion of the availability of state power for the proletarian class.

In contrast to Marx's theory that as capitalism develops, the working class finally gains a vantage point because of the decreasing number of capitalists, Bernstein denied the inevitable collapse of capitalism: "the number of members of the possessing classes is today not smaller but larger. The enormous increase of social wealth is not accompanied by a decreasing number of large capitalists but by an increasing number of capitalists of all degrees. The middle classes change their character but they do not disappear from the social scale." Witnessing the spread of democratic institutions and the movement of the working classes in advanced countries, Bernstein argues that a social reaction had set in against the exploiting tendencies of capital. Therefore, it is not necessary that the conquest of political power by the proletariat should be conducted by a political catastrophe. Instead, he thinks that the state could be a strategic terrain for the working classes, and he concludes that "democracy is, instead of speculating on a great economic crash, to organize the working classes politically and develop them as a democracy and to fight for all reforms in the state which are adapted to raise the working classes and transform the state in the direction of democracy" (Bernstein 1988: 77-78).

On this revisionist theory, the state is regarded as a potential arena of struggle which can become a key force for socialist change. The state does not remain just subject to the structurally dominant class in capitalist society. Through the ballot box the heights of state power could be scaled and used against the most privileged, while one by one, the institutions of the state could be progressively turned against the interests of capital (Held 1989: 36). This 'instrumentalist' view underlies the

reformism of the social democratic movement. It sees the state apparatus in liberal parliamentary regimes as an independent, 'neutral' instrument which can be used with equal facility and equal effectiveness by all political forces. Social democracy theorists concentrated on the pursuit of electoral victory as the necessary (and sometimes even the sufficient) condition of a peaceful, gradual, and majoritarian transition to socialism (Jessop 1982: 14).

This perception of the availability of state power in the theory of social democracy is a hybrid political tradition composed of socialism and liberalism, and it produced a division[3] in the socialist tradition between those who seek to realise socialist ideas within the institutions of liberal democratic capitalist society (social democrats) and those who remain outside those institutions with the objective of superseding them through revolutionary force (communists) (Stephen 1978: 1).[4]

1.2.2 The State as a Factor of Social Cohesion

Like Marx, Gramsci argues that the state exists on behalf of the bourgeois class in capitalist society. He views the state as an organisation of class domination, which plays a crucial role in the unification of the ruling classes (Jessop 1982: 146). Gramsci depicts the state as a class force which has a vital role in the organisation of class domination, in securing the long-run interests of the bourgeoisie as well as its unification, in facilitating concessions to the subordinate classes, and in securing the active consent of the governed or effecting their demobilisation (Jessop 1982: 145).

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[3] As a proponent of social democracy theory, Kautsky combined a commitment to working-class revolutionary action with a defence of parliamentary democracy. He insisted on the importance of universal suffrage and parliamentary democracy. For this reason he was sharply criticised by Lenin and Trotsky, who branded him a 'renegade' (McLellan 1988: 87).

[4] A much more sophisticated controversy over the definition of the state as the instrument of the ruling class, i.e., the capitalist class nature of the state, was developed between Miliband and Poulantzas. See chapter seven.

Where Gramsci differs from Marx was that he gives a more prominent role to cultural and intellectual ideas in a Marxist interpretation. Gramsci emphasises the role of consciousness and human autonomy and rejected the passive materialism of much orthodox Marxism. This stress on the independent role of ideas and human consciousness and their effect on the economic base of society makes up Gramsci's distinctive contribution. He says neither that the base determines the superstructure nor the opposite. Rather he tries subtly to integrate consciousness with materialism (Vincent 1987: 165-166).[5]

Gramsci applies this approach to state theory. He identified two modes of class domination – coercion and hegemony. Gramsci connects state power with the concept of 'hegemony' (Jessop 1982: 147), arguing that bourgeois society is not simply controlled by open force but through 'consent' (Vincent 1987: 167). Hegemony involves the successful mobilisation and reproduction of the 'active consent' of dominated groups by the ruling class through their exercise of intellectual, moral, and political leadership (Jessop 1982: 148). The state is, therefore, not just a political or institutional apparatus which coercively dominates one class; it is a vessel of intellectual dominance which elicits a positive response from the masses (Vincent 1987: 167). The effective social cohesion function of the state lies in producing active consent from the ruled through the operation of hegemony in capitalist society.

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[5] The origin of the orthodox Marxist materialist conception is found in *The German Ideology* where Marx, criticising Hegel for his reification of thought from the human subject, says that "the premises from which we begin are not arbitrary ones, not dogmas, but real premises from which abstraction can only be made in the imagination" (Marx quoted in McLellan 1988: 3). He emphasizes that 'person' or 'man' rather than 'thought' is the important, primary category (Ruben 1979: 65). He asserts an appropriate approach in social science by arguing that the first premise of all human history is the existence of living human individuals and the study of human society must be based on the material conditions under which they live. In the same vein, Engels argues that "the materialist conception of history starts from the proposition that the production of the means to support human life and, next to production, the exchange of things produced, is the basis of all social structure"(Engels 1988: 62). He says that "the ultimately determining element in history is the production and reproduction of real life" (Engels 1988: 69).

It is generally accepted that Poulantzas is an heir to Gramsci's ideas. He also rejected the crude materalism and 'economism' of the scientific strand of the Marxist movement (Vincent 1987: 171). Poulantzas argues for the interactive nature of political, ideological and economic structures within the mode of production. And he initially defined the state in terms of its necessary and objective function in the reproduction of social cohesion. This approach was associated with an inclusive conception of the state as comprising all the political and ideological apparatus through which cohesion is maintained (Jessop 1982: 19).

For Poulantzas, the state is a relationship, not a thing or a subject. It is the specific material condensation of a relationship of forces among classes and class fractions (Poulantzas 1978: 129). Thus the establishment of the state's policy must be seen as the result of the class contradictions inscribed in the very structure of the state (the state as a relationship) (Poulantzas 1978: 132). Contrary to conceptions that treat the state as a 'Thing' or as a 'Subject', the state is here depicted as itself divided. Class contradictions are the very stuff of the state: they are present in its material framework and pattern its organisation, while the state's policy is the result of their functioning with the state (Poulantzas 1978: 132). However, the state does not constitute a mere assembly of detachable parts: it exhibits unity of apparatus. The reason for this is that its task is to ensure the general political interest of the power bloc as a whole, organizing the unstable equilibrium of compromise among its components under the leadership of the hegemonic class or class fractions (Poulantzas 1975: 97).

Thus Poulantzas argues that the state is defined by its general function as the factor of cohesion or unity in a class-divided social formation, rather than by specific institutions (Jessop 1982: 159). For the modern state presents itself as embodying the

general interest of the whole of society, i.e, as substantiating the will of that 'body politic' which is the 'nation' (Poulantzas 1973: 123). For Poulantzas, the state is the internally class-conflicted unity whose ultimate goal is to maintain the cohesion of a social formation by concentrating and sanctioning class domination. To achieve this goal it organises the long-term political interest of a power bloc under a dominant hegemonic fraction – monopoly capital (Poulantzas 1978: 127).

Habermas and Offe are faithful to the traditions of the contemporary Frankfurt School of sociology, which fuses Marxism with a sociological tradition descending from Weber. They adopt the Weberian idea of the State as a source of power. (Vincent 1987: 176). The capitalist state is characterised in Weberian terms as a rational bureaucratic form of domination, to be explained not primarily in terms of the interests it serves, or the economic functions it performs, but in terms of its functions as a specifically political institution (Clarke 1991: 6). They think the function of the political institution is the integration of the society by channelling, filtering and reformulating economic, social and political demands in the attempt to reconcile the range of conflicting pressures to which the state was subject (Clarke 1991: 6). The state is the self-conscious control centre of society and the system which subordinates individual and social aspirations to the integration and reproduction of society as a whole (Clarke 1991: 6).

Habermas argues that the necessity of the social cohesion function of the state has sprung up due to the changed characteristic of the relation of production in advanced capitalism. '*Repoliticization*' is one of the distinctive characteristics of relations of production in advanced capitalism. The development of capitalism has required the state to intervene in the relations of production in society in order for capitalism to reproduce itself. Consequently the state has become deeply involved

with the class struggle: In other words, the relations of production have been repoliticized. Habermas thinks that a quasi-political wage structure, which expresses a class compromise, has been arranged by the state in advanced capitalism. In liberal capitalism the relation was shaped mostly by the two antagonistic classes with the state remaining as a referee, which merely secured the general conditions of production in the private sphere.[6] However, with the appearance of functional weaknesses in the market and dysfunctional side effects of the steering mechanism, the basic bourgeois ideology of fair exchange collapses (Habermas 1988: 36). With the emergence of monopoly capital the price of the commodity known as labour power began to be quasi-politically negotiated. In the monopoly-sector labour market the mechanism of competition is replaced by compromises between organisations to which the state has delegated legitimate power (Habermas 1988: 57).

The state has come to mitigate the opposition between wage labor and capital and to bring about a partial class compromise (Habermas 1988: 57). The state apparatus no longer, as in liberal capitalism, merely secures the general conditions of production, but is now actively engaged in it (Habermas 1988: 36). The state is not outside the relation between the capitalists and the working class, but inside the antagonistic relations playing the political role as mediator for the task of integrating the system. Functions that have accrued to the state apparatus in advanced capitalism and extension of administratively processed social matters increase the need for legitimation (Habermas 1988: 58).

Offe's analysis of the function of the state is based on the idea that capitalism is basically a set of commodity relationships in society. In *Contradictions of the Welfare State,* he says that the divergent structural conditions of the capitalist state,

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[6] Habermas makes the error of equating liberal capitalism with non-state intervention. I critically review this intellectual tendency in Chapter five.

such as private production, taxation constraints, accumulation, and democratic legitimation, can be reconciled through the perfect commodification situation in which every citizen becomes a participant in commodity relationships. Only to the extent that economic units of value fail to operate in the commodity form does the structure of the capitalist state become problematic.

Thus, the state must deploy measures to maximize *commodification*. In order to prevent the erosion of the commodity form (as well as ruptures in the accumulation process that is based on the equivalent exchange between labour and capital, that is, on the commodity form) numerous and increasing measures have been initiated by capitalist states and their governments to increase the ability of value units to engage in exchange relationships and to perform as commodities (Offe 1984: 140). The state provides maximum exchange opportunities for both labour and capital, so that individuals of both classes can enter into capitalist relations of production (Offe 1984: 123).

So, what is the social cohesion function of the capitalist state in terms of commodification? It is state policies to help those people who fail to perform as commodities in the market, so that owners of labour power who can no longer participate in exchange relationships are allowed to survive under conditions artificially created by the state (Offe 1984: 123).

O'Conner also stresses the role of the state in maintaining the cohesion of society. In *Fiscal Crisis of The State,* he analyses the state in terms of expenditure categories. According to him,

> state expenditures have a twofold character corresponding to the capitalist state's functions: social capital and social expenses. Social capital is expenditures required for profitable private accumulation; it is indirectly productive. There are two kinds of social capital: social investment and social consumption. Social investment consists of projects and services that increase the productivity of a given amount of labor power and, other factors being equal, increase the rate of profit……Social consumption consists of projects and services that lower the reproduction costs of

> labor and, other factors being equal, increase the rate of profit. .....The second category, social expenses, consists of projects and services which are required to maintain social harmony- to fulfill the state's "legitimation" function (O'Connor 1973: 6-7).

To ensure mass loyalty and maintain its legitimacy, the state must meet various demands of those who suffer the costs of economic growth (O'Connor 1973: 7). A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy and hence undermines the basis of its loyalty and support. But a state that ignores the necessity of assisting the process of capital accumulation risks drying up the source of its own power, the economy's surplus production capacity and the taxes drawn from this surplus (and other forms of capital). This means that the state must try to maintain or create the conditions in which profitable capital accumulation is possible while simultaneously maintaining or creating the conditions for social harmony (O'connor 1973: 6).

In this section on Marxist theories I have investigated two major Marxist definitions of the state: as an instrument of the ruling class and as a factor of social cohesion. *There appears to be a contradiction between the imperatives of the capitalist state to secure the bourgeois political domination and the state's function as a factor of social cohesion.* This contradiction leads to the question of the state's neutrality with regard to classes in capitalist society. Is the state neutral in terms of its class nature?

Although they emphasise the social cohesion function of the state, this should not be interpreted as maintaining that the capitalist state is class neutral. In the final analysis, the capitalist state functions on behalf of the capitalist class. This limit of the capitalist state, Clarke argues, results from the separation of the state from civil society, and the subordination of social production to the reproduction of capital. According to Clarke, the ability of the state to respond to the material aspirations of

the working class is confined, directly or indirectly, within the limits of capital, for the reproduction of the capitalist state ultimately presupposes the reproduction of capital, and the state eventually confronts barriers to the expanded reproduction of capital as barriers to its own reproduction (Clarke 1988: 136). Similarly, O'Connor says that the state must involve itself in the accumulation process, but it must either mystify its policies by calling them something that they are not, or it must try to conceal them (O'Connor 1973: 6). This is the same underlying meaning as when Offe says that only if (and only as long as) the capitalist state manages, through a variety of institutional mechanisms, to convey the image of an organization of power that pursues common and general interests of society as a whole, (theoretically) allows equal access to power and is responsive to justified (popular) demand, can it function in its specific relationship to accumulation (Offe 1975: 127). This is equivalent to saying that the state can only function as a capitalist state by appealing to symbols and sources of support that conceal its nature as a capitalist state; i.e., the existence of a capitalist state presupposes the systematic denial of its nature as 'capitalist' (Offe 1975: 127). There has been no state and no political party which calls itself the *capitalist* state and *capitalist* party.

1.3 Non-Marxists' Definition of the State

In this section I will review some non-Marxist approaches to the state. These non-Marxist approaches could be divided into two contentions, depending on whether they think the term 'state' is a justifiable conceptual variable in political science or not. Some writers argue that 'the state' does not exist, so the term should not be used as a conceptual variable. On the other hand, others have campaigned to 'bring the state back in' in political science.

1.3.1 The State as Political System

The indefinability thesis is presented in its most sustained form by the behaviouralists, and the writer who has been most tenacious in advancing it is David Easton (Hoffman 1995: 20). Easton was the most influential critic of the traditional study of politics, shaping the attitudes of a generation of US behavioural political scientists. Easton's main aim was to develop a systematic conceptual framework which would identify the significant political variables and their relationships to each other (Rhodes 1995: 48). What differentiates behaviouralists from other social scientists is their insistence (a) that observable behaviour, whether it is at the level of the individual or the social aggregate, should be the focus of analysis; and (b) that any explanation of that behaviour should be susceptible to empirical testing (Rhodes 1995: 58). This behaviouralist approach to political science is revealed when Easton says that "we are interested in concepts that pick out the major discussion properties of the concrete political system." and "we find that we are looking for a kind of activity which can express itself through a variety of institutional patterns" (Easton 1991: 108).

Bearing in mind the upheaval of instututionalism, he continues to say that "since new social conditions call forth new kinds of structures and practices for the expression of this activity, the precise mechanism, whether it be an organizational pattern called a state or some other kind, is always a matter for empirical investigation. A general description of this activity, for the moment indifferent to its particular institutional pattern, would indicate the properties that an event must have to make it relevant for political science" (Easton 1991: 115). He attacks the institutionalists by arguing that "basically the inadequacy of the state concept as a definition of subject matter stems from the fact that it implies that political science is interested in studying

a particular kind of institution or organization of life, not a kind of activity that may express itself through a variety of institutions" (Easton 1991: 113)

Therefore, Easton eliminated the term "state" from the American political scientists' vocabulary in the 1950s on the grounds that the word suffered from two related weaknesses: its meaning was vague, producing disagreement about exactly what it refers to; and even if agreement might be reached, the term excludes important aspects of the political process (Mitchell 1991: 79). Instead, David Easton seeks to get around this difficulty by substituting the concept of a 'political system' for the term 'state'.

However, Easton's concept of "political system" is attacked by Mitchell who defines the state in terms of the boundary between the state and the society. According to Mitchell, Easton's concept of the political system ostensibly promises to overcome the ambiguity of the state and its boundaries, but, far from solving the problem, its totalizing ambition presents a science whose object, the political system, has no discernible limits (Mitchell 1991: 77-80).

Mitchell points out that Easton himself admits the problems, quoting Easton: "Once we begin to speak of political life as a system of activity, certain consequences follow.... The very idea of a system suggests that we can separate political life from the rest of social activity, at least for analytical purposes, and examine it as though for the moment it were a self contained entity surrounded by, but clearly distinguishable from, the environment or setting in which it operates" (Mitchell 1991: 81).

Mitchell argues that the boundary question creates even more difficulties for Almond who is representative of a society-centred theorist. According to Mitchell, Almond admits that as the concept of the political system was intended to separate analytically the structures that perform political functions in all societies, it therefore

implies the existence of boundaries – the points where other systems end and the political system begins (Mitchell 1991: 81).

Mitchell concludes therefore that far from solving the problem of the uncertain boundary between state and society by substituting the enlarged but sharply defined edges of a self-contained system, the system approach unfolds the very space of the boundary into a limitless and undetermined terrain (Mitchell 1991: 81).

1.3.2 Statists' 'Bring-the-State-Back -in' Approach

Max Weber was a leading sociologist who focused on the centrality of the state. While the Marxist concept of the state centres on the way in which classes rule through a particular kind of structure, Weber's concept of the state centres on the ways in which *elites* control a particular kind of *organisation* (Wright 1985: 210). Therefore, it is not surprising that the Weberian approach was inclined to regard the state as a coordinating body handling the increasing complexity of society. Weber argues that with the development of capitalism, the needs for rational administration expand both quantitatively and qualitatively (Weber 1983). Weberians claim that Marx and his followers neglect the structural power of states, concentrate exclusively on the power of capitalism, and downplay the autonomous power of political factors in society as compared to economic (Mann 1986: 17).

However, it was by those statists who tried to 'bring-the-state-back-in' in the 1970s and 1980s that the centrality of the state became firmly established. In the 1960s, the system approach waned in popularity, and the concept of the state began to reappear as a conceptual variable in political science. J.P.Nettl launched the first major assault on the abandonment of the state concept in mainstream political science in his article, "The State as a Conceptual Variable" (Nettl 1968). He argues that "in so far as social science aims at scientific reductionism and attempts to separate all

epiphenomenal or occasional factors from exigencies, fundamentals, and invariants, the concept of state is at risk. But if it can be made into an operating variable that points up significant difference and discontinuities between societies, making possible systematically qualitative or even quantitative distinctions, there may be a case for *bringing it back in*" (Nettl 1968: 562).

Nettl's proposal to 'bring the state back in' was adopted by the so-called 'state-centred theorists.' For them the state is an institutional body with a unique centrality and stands as a key independent factor in social explanation. The state is equipped with a distinctive autonomy *vis-à-vis* all pressures and forces existing in civil society. They criticize not only pluralism-structural functionalism but also Marxism as societally reductionist, which deny the autonomy of the state, and hence are inadequate approaches to political explanation (Almond 1988: 8).

For example, in the preface of his book, *The State and Society*, Stepan expresses his dissatisfaction with the contemporary political academic trend where "many of the most important theoretical approaches to politics – pluralist and Marxist alike – assigned very little independent weight to the state" and argues that "though the term 'state' is not widely used in contemporary political theory, or is dismissed as a vague abstraction from the past having little empirical meaning or researchable feature, the term can refer to concrete structures and observable relationships." (Stepan 1978). In his view, Classical Marxism and liberal pluralism both portray the state merely as a dependent variable (Stepan 1978: 6): the idea that "The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie" posits a relationship in which the state is the dependent variable and the economic system is the independent variable (Stepan 1978: 20).

Similarly, Nordlinger declares that Marxism is "the most unabashedly society-centred approach." He labels it as " largely outmoded" and comments that in Marxism "the state almost literally serves as nothing more than a "cash register" that accurately totals up the resource credits and debits of contending societal groups ("the balance of power") and then authoritatively "ratifies" the outcome of the societal competition (Nordlinger 1981: 42). The pluralist state approach is not appropriate either because it lacks the recognition of the strong autonomy of the state. Nordlinger says that in the pluralist perspective the state aggregates and processes societal demands, mediating and arbitrating among and between societal groups, thereby adding little of its own to the resultant policies (Nordlinger 1981: 43). Nordlinger endows state managers with a decisive role in deploying state autonomy. State managers are in fact the core element of state autonomy. They can follow their own preferences without real opposition from outside forces by successfully reinforcing those societal groups who support their preferences. The democratic state is not only frequently autonomous insofar as it regularly acts upon its preferences, but also markedly independent in doing so even when its preferences diverge from the demands of the most powerful groups in civil society (Nordlinger 1981).

Skocpol points out that the pluralist and structure-functionalist perspectives, predominant in political science during the 1950s and 1960s, consider the state to be an old-fashioned concept, associated with "dry and dusty legal-formalist studies of nationally particular constitutional principles" and shows how in their perspective government itself was not taken very seriously as an independent actor (Skocpol et al. 1985: 4). By contrast, Skocpol argues that states, conceived as organizations claiming control over territories and people, may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes, or society. This

is what is usually meant by "state autonomy". Unless such independent goal formulation occurs, there is little need to talk about states as important actors (Skocpol et al.1985: 9).

However this statist approach is not free from attack. For example, Mitchell says again in relation to the state boundary, that rather than addressing the difficulty of drawing the elusive line between the two, the statists have largely evaded the problem. The new advocates of the statist approach have not filled in the organizational countours. According to Mitchell, the statists make the state stand apart from society in the artificial way in which intentions or ideas are thought to stand apart from the external world to which they refer (Mitchell 1991: 77;82).

1.4 The 'Middle-Path' Institutional Approach; the Integration of Marxist with Non-Marxist Approaches

Michael Mann proposes that we should reject notions of 'society' and 'the centralized state'.[7] But those notions still occupy the central position in the investigation of society. The approaches of state theory I have examined can roughly be grouped into two categories: Society–centred and State-centred approaches.

For example, the Marxist approach is a typical society–centred approach, but it has been criticised for economic reductionism. The Marxist argument that the form and the functions of the state are determined by an economic logic inherent in capitalist society and by the class power existing in the society has been criticised for simply reducing the political to the economic in society. Cirtics of Marxism usually

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[7] Michael Mann argues that we should "conceive of societies as confederal, overlapping, intersecting networks rather than as simple totalities" and proposes that instead of taking 'society' as the notion of the total unit, a general account of societies, their structure, and their history should be given in terms of the interrelations of what he calls the four sources of social power: ideological, economic, military, and political (IEMP) relationships. These are *overlapping networks of social interaction*, not dimensions, levels, or factors of a single social totality. According to this, states are only one of the four major types of power network (Mann, M. 1986: 1-33). Mann's conception of societies as 'organised power networks' has become an important metaphor in the study of IR and IPE because it is now widely used to conceptualise contemporary forms of capitalist globalisation (Callinicos, A 2002).

claim that it reduces political occurrences into mere reflexes or corollaries of economic events, and thus cannot say anything interesting or helpful about the way politics is conducted. To state this more fully: for an analysis to be Marxist, it must use some critically important concepts, and the logic of these concepts is such that the analysis must become reductionist as a necessary result of their use (Kaviraj 1989: 133).

However, the state-centred approach is also subject to attack. Although many state-centred theorists emphasise different factors in their state theories, the common core of their arguments is that the state is an autonomous force and does not simply reflect what is going on in civil society. They endow the state with subjective power and rational judgement. This is criticised by Marxists as it denies the overriding importance of the capitalist mode of production, and for ignoring the presence of classes in the relations of production.

This study does not adopt either of these two contrasting perspectives. Instead of using a sole analytical tool to investigate the activities of the state, this research will attempt to synthesize the two approaches in order to better understand the real and concrete phenomena of the state in capitalist society. For this reason I go to Jessop who argues that his approach to state theory is intended to provide the means to "integrate Marxist perspectives with other points of reference and principles of explanation so the concrete, complex phenomena can be adequately theorised and explained" (Jessop 1982: 228).

1.4.1 Jessop's Theory of the State as an Institutional Ensemble

Indeed, reductionism constitutes the biggest problem of Marxism. Reductionist Marxism denotes the tendency to reduce the state to its capitalist essence in spite of the many other organizational and social functions it possesses (McLennan

1984: 92). Throughout his political essays and especially in his more polemical pamphlets such as *The Communist Manifesto*, Marx insisted on the direct dependence of the state on the economic, social and political power of the dominant class. The state is a 'superstructure' which develops on the 'foundation ' of economic and social relations. The state, in this formulation, serves directly the interests of the economically dominant class: the notion of the state as a site of autonomous political action is supplanted by an emphasis upon class power (Held 1989: 36).

According to the monopoly capitalist theorists, the state is fused with monopoly capital - a state with no autonomy that is purely at the service of the monopolies (Poulantzas 1978: 129). This theory is based on an immediate identification of the state with the interests of capital; the function of the state is derived from its structural constraint embedded in the logic and interest of capital. Thus, the system of money and credit, the tax system, nationalisation, instruments of planning, and state, civil, and military expenditure are all used to maintain capital accumulation and secure the strategic economic interests of national monopoly capital (Clarke 1990: 3). This theory thus reduces the state to an epiphenomenon of an economic base.

This sort of economic reductionism is problematic: it postulates a capitalist – specific organization of the state and takes for granted a simple causal relation between the facts of class domination and the vicissitudes of political life (Held 1989: 37). It also implies that political action cannot alter the economic base and/or the nature of class relations until economic factors themselves permit or require such an alteration (Jessop 1982: 11). At its most extreme this theme implies that the state is a pure epiphenomenon of the economic base with no reciprocal effectivity and that there is a perfect correspondence between base and superstructure (Jessop 1982: 10).

Jessop's attempt to develop an institutional approach is based on the judgement that such Marxist approaches neglect the fact that the state is situated not only in the capitalist mode of production but also in other modes of production in the society. The point is that even if the state is generally called the capitalist state it does not necessarily mean that the state is rooted in the capitalist mode of production (CMP). Jessop argues that although the CMP could be seen as the dominant mode of production, it is not the sole mode of production in the society. In other words, the Marxist approach has fallen into the trap of reductionism. Jessop argues vehemently that "while capitalist relations of production may be a basic condition of existence of the so-called 'particularisation' or structural differentiation of the state form, it does not follow that the state form is therefore essentially capitalist nor that it will necessarily serve in turn to reproduce capitalist relations of production.[8] The state is located on the terrain of the social formation rather than the pure CMP and is also the site of non-class relations as well as class relations" (Jessop 1982: 222). According to Jessop, "there is no reason to expect a purely Marxist approach to exhaust the analysis of the state. For, while Marxism as a theoretical approach is concerned with the analysis of relations of production, their various conditions of existence, and their effects on other social relations, the state is located on the terrain of the social formation and this comprises more than economic relations and their conditions of existence" (Jessop 1982: 220). For Jessop, then, a Marxist analysis of the state in capitalist societies is considered adequate only when it is augmented by the supplement of various non-Marxist perspectives. Jessop argues that a Marxist analysis is a relevant analytical tool only in so far as:

> a) it is founded on the specific qualities of capitalism as a mode of production and also allows for the effects of the articulation of the CMP with other relations of social and /or private labor, b) it attributes a central role in the process of capital

[8] An extensive analysis of 'particularisation' is in chapter two.

> accumulation to interaction among class forces, c) it establishes the relations between the political and economic features of society without reducing one to the other or treating them as totally independent and autonomous, d) it allows for historical and national differences in the forms and functions of the state in capitalist social formations, and e) it allows not only for the influence of class forces rooted in and /or relevant to non-capitalist production relations but also for that of non-class forces (Jessop 1982: 221).

This effort to escape from the reductionist approach is the foundation of the institutional approach. Jessop emphasizes that the most appropriate way of avoiding these problems is to adopt an institutional definition of the state because, he says, "if the state is not to be constituted *a priori* as capitalist or viewed as a simple instrument, it is necessary to define it in terms that involve only contingent references (if any) to the capitalist mode of production and/or the economically dominant class" (Jessop 1982: 222).

Jessop's approach to state definition is a radical attack on traditional Marxist theories of the state because it runs counter to the traditional 'base –superstructure' concept, the monopoly capital theory, and the state derivation approach. All of these interpretations involve essential and necessary references to the capitalist mode of production. According to the 'base-superstructure' idea, for example, the state only reflects the economic base of society and its interventions are practiced by nothing other than the needs of the economy. The state is a mere appendage of the economic mechanism as steered by the capitalist class. Similarly, the state is always behind the capitalist class in so far as monopoly capitalism theory is concerned, which stipulates the inevitable subordination of the state to the capitalist class. Equally, the state is referred to as a necessary reflection of the capitalist mode of production in state derivation theory, which derives the form and function of the state from the capital relation and pure capitalist mode of production. All of these approaches endow the state with a necessary reference to the capitalist mode of production. There is no room

for the state to manoeuvre other than for the capitalist class. But, Jessop argues that "while it may well be necessary to refer to the specific qualities of the CMP and the relations between capital and wage-labour in discussing the state in capitalist societies, it is important to avoid any relation of logical entailment such that the existence of the CMP necessarily implies the capitalist character of the state apparatus and/or state power" (Jessop 1982: 222).

According to Jessop's institutional definition, the state is a set of institutions that cannot, *qua* institutional ensemble, exercise power (Jessop 1982: 221). The state exists with multiple boundaries, no institutional fixity and no pre-given formal or substantive unity (Jessop 1992: 90; 267). This institutional definition entails no guarantees about its capitalist nature, nor does it rule out the possibility that the state can be used by social forces to struggle for state power. According to this theory, the state is like an institutional vehicle; its services could be obtained by any force other than the capitalist class in society. Jessop denies that the state always favours one class or set of interests: "state power is capitalist to the extent that it creates, maintains, or restores the conditions required for capital accumulation in a given situation and it is non-capitalist to the extent that these conditions are not realised" (Jessop 1982: 221).

1.4.2 How to Analyse State Activities

Jessop argues that Marxist approaches have failed to arrive at the level of a general theory because such theories commit one of the following methodological errors: reductionism, empiricism, and subsumption (Jessop 1982: 212).

According to Jessop, these three errors are embedded in Marxist theory, and they must be rejected if we are to develop an adequate basis for theoretical investigations of the state and politics. He argues that the analysis of the state should

be based on a multi-dimensional analysis, that is, on an analysis of many determinations. Thus he says that:

> If we are to avoid the empiricism that derives from an exclusive emphasis on appearances, the reductionism that derives from an exclusive emphasis on one or more abstract determination, and the subsumptionism of the 'particular' vs. the 'general', we must engage in an analysis of the many determinations that are combined in a concrete conjuncture and show how they are interrelated as necessary and/or sufficient conditions in a contingent structure of causation (Jessop 1982: 213)

In contrast to Marxism, Jessop argues that "state theory is not concerned to produce 'raw' descriptions or genealogies, however detailed, of particular events.....Nor is it interested in abstract speculation about the essence of politics or the *a priori* class nature of the state.....Instead it attempts to explain the 'contingent necessity' of specific conjunctures and their outcomes in terms of their various determinants." Jessop points out that Marx himself recognised this point, when, in 'Introduction of a contribution to the Critique of Political Economy' (1857), he writes that 'real – concrete' phenomena cannot be grasped in themselves but must be reconstituted in thought as the 'complex synthesis of multiple determinations' (Jessop 1982: 23). The goal of scientific analysis is to reproduce the 'real-concrete' as a 'concrete-in-thought', that is, as a complex synthesis of many different determinations (Jessop 1982: 212). For Jessop this is a recognition that the state is both the point of departure and the point of arrival in political analysis since it can only be comprehended after a complex process of theoretical analysis and synthesis (Jessop 1982: 24). To examine each state on the conjunctural basis, the analysis must always be complemented and combined with many other determinations in order to produce an adequate account of concrete forms of state and state power. Only through the synthesis of many different determinations can one move from the abstract to the concrete (Jessop 1982: 29). In short, Jessop concludes that such abstract and restricted

forms of analysis as economic and class reductionism are not equivalent to a concrete analysis of specific forms of state or state power in determinate conjuctures.

Now it is time to examine what Jessop refers to as the multiple determination of state analysis.

The answers to this question can be found from Jessop's definition of the state as an '*institutional ensemble.*' Jessop argues that in general terms we can say that the state is an institutional ensemble of *forms of representation, internal organisation, and intervention.* Political interests of social groups in society are reflected in state action through the process of representation. This political representation manifests itself in various and different forms in different states. Among the relevant forms of representation we can include territorial and functional representation, pluralism (parliamentarism), clientelism, *raison d'etat,* and populism (Jessop 1990: 135). The nature of state intervention is another aspect of the institutional structure of the state; as there are different forms of political representation, so there are also different forms of intervention. These forms of representation and intervention are mediated and over-determined during the process of state activities. Every state policy is the outcome of this process. But it should be remembered that the internal organisation of the state apparatus is also an important variable in affecting state policies. The hierarchical and horizontal distribution of powers in the state apparatus and the relative dominance of specific branches of the state have significant effects on the exercise of state power (Jessop 1990: 207). The degree of cohesion and unity within the state itself is an important condition affecting the implementation of state policies. Indeed, state action and policy is structurally dependent on the degree of state unity because the state is the condensation of a relationship of forces between classes and class fractions. It is not, and can never be, a monolithic bloc without cracks. In other words, the state is

through and through divided by class contradictions. The establishment of the state's policy must be seen as the result of the class contradictions inscribed in the very structure of the state (the state as a relationship) (Poulantzas 1978: 132).

Therefore, state forms and regime types can be distinguished in terms of the differential articulation of political representation, internal organisation, and state intervention. Jessop argues that this approach has several advantages. According to him it provides a means to examine the linkages among the state, economy, and civil society in terms of the form-determined mediation of demands and support as well as the state's form-determined role in maintaining political domination, capital accumulation, and private, non-economic forms of domination (Jessop 1982: 229).

However, Jessop argues that the concrete analysis of state activities needs not only investigating its institutional aspects but also analysing socio-political bases of the state which concerns a set of three dimensions (Jessop 1990: 345).

To investigate the socio-political bases we must study first the dimension of the social bases of state power (Jessop 1990; 346). This is because state power is a complex social relation that reflects the changing balance of social forces in a determinate conjuncture (Jessop 1982: 221). An adequate account of the state requires attention not only to its institutional aspects but also to its characteristic social bases of support and resistance because the results of state activities, i.e., state policies, are dependant on how support or resistance is mobilised behind the state policies.

Two other dimensions for us to study are related to the part-whole paradox of the state. This paradox is rooted in the fact that the state is but one institutional order among others in a given social formation; and yet it is peculiarly charged with responsibility for maintaining the integration and cohesion of the wider society (Jessop 1990: 346). Thus, secondly, a proper analysis of the state needs to deal with

the state projects which define the boundaries of the state system and endow it with a degree of internal unity. According to Jessop, the state does not exist as a fully constituted, internally coherent, organizationally pure and operationally closed system but is an emergent, contradictory, hybrid and relatively open system (Jessop 1990: 346). There can be no inherent substantive unity to the state *qua* institutional ensemble. To conduct a proper analysis of the state we are required to investigate how its unity is created within the state system itself through specific operational procedures, means of coordination and guiding purpose.

Finally, a study of the state should consider the aspect of the state in terms of its responsibility for maintaining the integration and cohesion of the wider society. In one respect, the state is just a 'part' of society: in another, by virtue of its political responsibility, it is the 'whole' (Jessop 1990: 346). Thus it is essential to study hegemonic projects which are state actions to unite the part and the whole altogether for the total integration and cohesion of society. For this reason, a proper analysis of the state requires the investigation of the state's hegemonic projects at a specific conjuncture to maintain the integration and cohesion of the whole society.

Conclusion

In this chapter I have reviewed the general issues and approaches regarding the capitalist state from two perspectives; the Marxist and the non-Marxist approaches, and I then introduced Jessop's institutional approach as the major analytical framework for this thesis – a middle-path perspective, which avoids the defects of both approaches. According to Jessop's institutional approach, the state is an institutional ensemble of *forms of representation, internal organisation, and intervention.* I also stressed that Jessop's insistence that the investigation of the institutional aspects should be coupled with a consideration on a set of three

dimensions: *state project; social bases of changing class power; and hegemonic project.*

CHAPTER 2: STATE FORM, STATE STRATEGY AND POLITICAL STRUGGLE

Introduction

In the previous chapter I introduced the argument that an adequate analysis of the state should be based on an investigation into the aspects of the state's specific institutional forms, the social bases of state power, state project, and hegemonic project. By introducing this argument I implied that those aspects will be the main object of investigation as dependent variables in this study. In this chapter I will focus on the form of the capitalist state on the premise that 'form problematises function of the state'. The form of the state is a binding constraint which limits the availability of state actions and policies. Thus, the implication of 'the form of the state' is that the form is an independent variable to influence those aspects of the state: the state's specific institutional forms; the social bases of state power; state project; and hegemonic project.

I will review the contending polemics regarding the most general form of the capitalist state. I will then examine the various forms of the state whose forms vary within the general form of the capitalist state. Finally, as an effort to seek an analytical method to be adopted in defining the *form* of the Kim Dae Jung state, which is the main concern of this study, I will investigate how Poulantzas analysed the fascist state as a concrete form of the capitalist state at a specific conjuncture.

2.1 The General Form of the Capitalist state: the Separation of the Political from the Economic

The form of the state in state theory has been the subject of intense investigation due to the significance of the proposition that the form makes the functionality of the capitalist state problematic. The form of the state is a binding structure within which the availability of state actions and policies are limited. The

Weimar Republic case illustrates well what the form of the state means for the state activities demonstrating it is impossible to define the interests of capital in isolation from the form of the state, the balance of political forces and the international conjuncture. A strategy to advance the collective interests of German capital had to await the abolition of one state form and the development of a new state form (Abraham 1986; Jessop 1990:160). State form was thus a significant determinant of capitalist interests.

The concept of 'the form' of the state is used at different levels of abstraction. The highest level of form refers to the most important general aspect of the capitalist state, i.e., its *particularization* (its institutional separation from the circuit of capital). This level of state form is usually understood as 'the type' of capitalist state. The major difference between the capitalist mode of production and other modes of production is its separation of the political from the economic. This particularisation is the most important general aspect of the form of the capitalist state (Jessop 1991: 169).

This separation in capitalism seems to be so obvious and self-evident that German state derivation theorists wonder "what is supposed to be achieved by painstaking and 'subtle' conceptual attempts to derive the genesis of these different 'spheres' or 'systems', instead of looking directly at the specific mediations or 'interdependencies' and starting on empirical research" (Blanke et al. 1979: 113). However, they nevertheless emphasise that it is indeed necessary to trace the genesis of this separation, for only in such an explanation can one find a basis not only for an external analysis of the relationship between the political and the economic, but also for an analysis of the specific internal mediations between these 'spheres' or 'systems' (Blanke et al. 1979:113). For this reason I will review the contending

arguments of Marxist state theorists concerning the genesis of the separation of the political from the economic.

In feudalism there was a fusion of the political with the economic in the production process due to the possession of the means of production by direct producers. Direct producers were invariably in possession of their own means of production, and they conducted their production activities independently. This economic structure required that surplus labour be extracted by coercion because there was no direct economic mechanism which would ensure the appropriation of surplus labour by the exploiting class. Therefore, with political coercion lords were able to get the portions of products by serfs in exchange for political protection. This political intervention into the production activity was an essential constituent of the feudal system, and direct producers were never free from political coercion. The relationship between lords and serfs was thus underpinned by coercion, which enabled the extraction of surplus in the form of rent from the producers (Martin 1986: 3-4).

Contrary to feudalism, the capitalist system of production is a pure economic structure in which the capitalist is able to extract surplus value without political coercion. This separation of the political from the economic is in fact the historical feature of the capitalist mode of production. In capitalism, workers' subjection to the capitalists is mediated through the sale of their labour power as a commodity on the market. The commodity form of labour became the distinctive feature with the appearance of the capitalist relation of production. In *Capital*, Marx pointed out that the commodity form of labour presented a labourer with freedom "in the double sense, that as a free man he can dispose of his labour-power as his own commodity, and that on the other hand he has no other commodity for sale" (Marx quoted in Holloway and Picciotto 1991: 113). Just as the latter freedom (the separation of the worker from

control of the means of production) makes possible the abstraction of the direct use of physical force from the immediate process of exploitation, so the first form of freedom, i.e. the fact that exploitation takes place through the free sale and purchase of labour-power, makes this abstraction of direct relations of force from the immediate process of production necessary (Holloway and Picciotto 1991: 113).

Therefore, the establishment of the capitalist mode of production necessarily involved the abolition of direct relations of dependence, sanctioned by force, on individual members of the ruling class. This abstraction of relations of force from the immediate process of production constitutes the economic and the political as distinct, particularised forms in the capitalist mode of production (Holloway and Picciotto 1991: 114). This separation is the general form of the capitalist state in the CMP, i.e., the capitalist type of the state. It is also reflected in the concept of the base-superstructure in Marxist theory.

2.1.1 German State Derivation Theory; the State as a Form-Determined Entity

In Marxist state theory three major contentions have been developed around the problem of this separation of the political from the economic: orthodox Marxism; the Poulantzasian approach; and the German state derivation approach. All these approaches accept the separation, but each approach is different in terms of the degree of separation. I will review them from the perspective of the German state derivation approach because the theorists of this school claim that they successfully combined the other two approaches, arguing that their approach overcomes the shortcomings of the others and stresses *the unity of the political and the economic* in the CMP.

The state derivation theorists diagnosed two tendencies which underlie most of the Marxist analyses of the separation. They criticise orthodox Marxism for economic reductionism on the grounds that it treats the political as a mere epiphenomenon of an

economic base and denies it any reciprocal influence on the base. They think that some analyses pay little or no attention to the specificity of the political and argue (or more often assume) that the actions of the state flow more or less directly from the requirements of capital (Holloway and Picciotto 1979:3; 1991:116-117). They comment that the result is the reduction of the function of politics to a mere reflection of the economic and over-emphasis on the unifying whole which overlooks the real, though historically conditioned particularization of the generality of capitalist relations into political and economic forms. This leads to the over-simplified view of the relation between the actions of the state and the requirements of capital accumulation (Holloway and Picciotto 1979:14).

The German state derivation theorists also criticise Poulantzas for his alleged 'over-reaction' to those orthodox Marxists. They think that while orthodox Marxism shows a tendency to reduce the political to the economic, Poulantzas does not pay close attention to the conditions of capital accumulation and assumes too much autonomy of the political from the economic. They argue that the alleged 'politicist' approach bases itself too much on a criticism of the simplifications of 'reductionism' and relies too much on its insistence upon the 'relative autonomy' of the political.[1] For the state derivation theorists, Poulantzas fails to focus on the relation between political forms and the 'anatomy' of civil society. His view that capitalist society is characterized by a relative autonomy of the economic and political 'instances' which allows one to make each instance a separate and specific object of study, leads him to

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[1] In Chapter seven I critique the structuralist aspect of Polantzas, arguing that he faithfully stuck to the belief that this society is an economic system within which the role and function of the capitalist state is confined in economic determination. Poulantzas is not 'politicist'. Here, state derivation theorists are preoccupied too much with the concept of 'the relative autonomy' Poulantzas offered. They failed to recognise that Poulantzas allowed the relevance of 'the relative autonomy' only to the extent that it is not thought to go against the logic of the reproduction of the capitalist economic system. For more analysis, refer to Chapter seven.

neglect the all-important question of the relation between these instances. Poulantzas' approach overlooks the need to relate the forms, functions and limits of the political to capital accumulation and its contradictions[2] (Holloway and Picciotto 1979: 5-6; 1991:116-117).

Following 'middle path' between orthodox Marxism and Poulantzas' approach, the main concern of the derivation approach was to break out of the dichotomy of the two approaches and to 'derive' the state as a political form *from 1) the nature of the capitalist relations of production and 2) general laws of capital in the capitalist mode of production.* They argue that without taking this as a starting-point, it is impossible to progress beyond the inherent failings of 'politicism' and the over-simplifications of 'economic reductionism'(Holloway and Piccotto 1979:14; 1991:122). The state derivation theorists emphasize *the unifying totality of capitalist social relations* as a vital step in creating the framework for a materialist analysis of the state (Holloway and Picciotto 1979:15).

State derivation theorists such as Hirsh, Holloway and Picciotto derive the form of the state *from the nature of the capitalist relations of production.* They argue that the particular form of the state, its separation from the economic, must be derived from the nature of the social relations of domination (Hirsch 1979; Holloway and

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[2] Let us see how Poulantzas reacted to the criticism of the derivation theorists. We have reviewed that there are two streams of the state derivation approach; one to derive the form of the capitalist state from the nature of the capitalist relations of production and the other from general laws of capital in the capitalist mode of production, which stress the function of the state to regulate the relations between commodity producers by means of law and money. Poulantzas' approach is similar to the former because he himself seeks the capitalist form of the state in the relations of production and social division of labour (Poulantzas 2000: 14). His attack is targeted mainly on the latter. Diagnosing that "the overwhelming majority sought to locate the basis of the capitalist state in the domain of the circulation of capital and 'generalized' commodity exchange" he argues that "the form of the state must be sought in the relations of production because the relations of production have a determining place in the total cycle of expanded reproduction of capital" (Poulantzas 2000: 51). Against the critique of so-called 'politicism' Poulantzas defends himself by claiming that according to the German approach "the problem is one of placing the state in relation to what some call the logic of capital – that is, to its accumulation and expanded reproduction.....this problematic relapses into a fairly traditional conception of capital as an abstract entity with an intrinsic logic" (Poulantzas 2000: 51-52). However, he was himself a reductionist for the reasons I explain in chapter seven.

Picciotto 1979). Commenting that Marx's great contribution to the struggle for socialism was not merely to show that social development is a process of class struggle, but to show that class struggle assumes different historical forms in different historical societies, they propose that the form of the capitalist state, i.e., its separation from the economic, should be understood as the historically specific form of class domination in capitalism.

According to them, the abstraction of direct relations of force from the immediate process of production in capitalism gave rise to a new form of the class struggle in capitalism. In other words, the indirect exploitative relationship in capitalism came to endow the state with the role of class domination in a disguised or fetished form. So, the state must be understood as a particular surface (or phenomenal) form of *the capital relation,* i.e. *of a historically specific form of class domination* (Hollway and Piccotto 1991:110). The capitalist state is a particularised form of capitalist class domination, a necessary instance separated from individual capitals. Finally, they conclude that the very separation of economics and politics, the very autonomisation of the state form, is part of the struggle of the ruling class to maintain its domination (Holloway and Picciotto 1991:115).

For them the form of the state is the extension of the class domination phenomena in class society. The economic and the political are both forms of social relations, forms assumed by the basic relation of class conflict in capitalist society, i.e., the capital relation. Therefore, the starting point must be not the specificity of the political nor the reduction of state action to the 'logic of capital', but an analysis which finds the specificity of the political *in the nature of the capital relation* (Holloway and Piccotto 1979: 14-15 and 1991: 122).

Meanwhile, other state derivation theorists pay more attention to *general laws of capital in the capitalist mode of production.* These derivation theorists question how the state form originated in capitalism, and they found the answers in the necessary function of the state accommodating the reproduction of capitalist society. For instance, Pashukanis attempts to derive the form of the bourgeois state as an impersonal apparatus of public power distinct from the private sphere of civil society. He argues that the legal form of the *Rechtsstaat* characteristic of bourgeois societies is required by the nature of market relations among formally free and equal individuals (Jessop 1982:85). Similarly, Blanke, Jurgens and Kastendiek derive the form of the state from the need to regulate the relations between commodity producers by means of law and money. Regulation by these means is necessary to maintain relations of exchange between commodity producers and this regulation can come only from a body standing outside the relations of commodity production (Blanke et al. 1979).

However, despite the state derivation theorists' argument that their approach demonstrates the separation-in-unity of the political and the economic, it appears questionable whether or not this unity is based on the error of economic reductionism for which they criticise orthodox Marxists. The foundation of the methodological tendency of the German approach is the capital-logic approach deriving the form of the state as well as its principal functions from the pure capitalist mode of production and its conditions of existence. The approach regards the state as *an ideal or fictitious total capitalist* subordinating itself to the needs of 'capital in general' (Altvater 1979). The derivation approach tries to derive the nature of the capitalist state from that of the capitalist mode of production in its pure form, but commits the error of reductionism in a more complex form.

Whilst Poulantzas tried to empower the capitalist state with 'relative autonomy' by stressing the form of the separation of the political from the economic (the most general form of the capitalist state), the derivation theorists, on the other hand, argue that the very form of the state makes the function and action of the state subject to the logic of capital in the realm of the economic. They imply that due to this form of the state, state actions and policies are limited and the state cannot transcend market forces. The implication of this approach supports the proposition that *form determines function and action.*

2.1.2 The State and a Complex Dialectic between Form and Strategy

Indeed, deeper questions arise regarding whether or not the state should be regarded as an entity subject to its institutional form inscribed in the economic system of a social formation. Are the results of state policies pre-determined by the form of the state? Should state actions be confined within the binding features of the form of the structure? Does the form of the capitalist state characterised by the separation of the political from the economic inevitably entail unfavourable treatment of working class people?

But Jessop has showed some valuable insight on these issues by emphasizing the non-correspondence between the state of the political and the capital logic of the economic by introducing the strategic-theoretical approach in the field of state theory. Jessop argues that although the separation is the crucial structural constraint in capitalist societies, the separation is a double-edged sword. He proposed that the separation be understood as the structural characteristic which allows the capitalist state to engage in a wide range of actions going against the logic of capital. This is in contrast to the German derivation approach, which regards the separation as the structural constraint confining state actions within the interests of capital. Referring to

the state derivation theorists, Jessop argues that "despite the loud and frequent proclamation by some Marxist theorists that the state is simply the ideal collective capitalist, its institutional separation clearly permits a dislocation between the activities of the state and the needs of capital." To support this argument he elaborates 'the Value-form' theory, arguing for non-correspondence on the grounds that "both the value-form of the CMP and its particularized state form are indeterminate in certain respects and that any correspondence or dislocation between them or their substantive content will depend on many factors beyond purely formal mechanisms" (Jessop 1990: 206).

The form-determination thesis of the German state derivation approach is again further amended by Jessop's introduction of the concept of the state as 'a site of strategy'. Although he conducted a sophisticated elaboration on the issue of the form of the state by applying regulation theory, it was by developing his concept of 'strategy' of the state that he has been recognised as one of the most prominent state theorists in the field of state theory.[3] Jessop argues that the state is a social relation which can be analysed as the site, the generator and the product of strategies (Jessop 1990: 255). This argument has three major implications. First, the state system is the site of strategy. It can be analysed as a system of strategic selectivity, i.e. as a system whose structure and *modus operandi* are more open to some types of political strategy than others. Secondly, the state is also a site where strategies are elaborated. Thirdly, the structure and *modus operandi* of the state system can be understood in terms of its

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[3] In the 1990s, his interest moved to regulation theory. His work, *The Future of the Capitalist State,* is his application of 'regulation theory' to the capitalist state theory. In the book, Jessop introduces two forms of the capitalist state corresponding to Atlantic Fordism and post-Fordism: the Keynesian Welfare National State and the Schumpeterian Competition State. See Jessop 2002.

production in and through past strategies and struggles. Therefore, every activity of the state should be analysed via the strategy dimension (Jessop 1990: 260).

Jessop's approach stressing the strategic selectivity of the state opens the possibility that the capitalist state could break out of the binding constraint of its separated form from the economic and realise its own interests depending on how effectively it deploys its strategy. Also the state is a system whose structure is strategically more open to some social forces than others. The form of the state is the crystallization of past strategies as well as privileging some over other current strategies. As a strategic terrain the state is located within a complex dialectic of structures and strategies (Jessop 1990: 269).

2.2 Liberal / Interventionist State and Normal / Exceptional state

Many scholars focused on the issue of the general form of the state, i.e., its separation of the political from the economic, but, there has been little attention to the issue of the concrete form of the state. The understanding of the general form of the state is relevant only in so far as study deals with the general characteristics of the capitalist state. The problem of defining the concrete form of the state becomes more complicated because the concrete state form (the regime) must be investigated in the context of a specific historical conjuncture in capitalist development. The capitalist state, as a general form of the state, is found in all 'advanced countries', but the capitalist state, as a concrete form of the state, varies in its degree of development, changes within each country's border, and differs for example between South Korea and Japan, between the UK and the United States.

For this reason, Poulantzas deserves credit for the indelible mark he has left in a theorisation of the concrete form of the capitalist state. He introduced two pairs of

concrete forms of the state within the framework of the general form of the state: the liberal state and the interventionist state / normal state and exceptional state.

A brief review is necessary for the following section. Let me recall the structure of a mode of production envisaged by Poulantzas as the criteria for differentiation of the liberal and interventionist state. Poulantzas argues that the mode of production is not what is generally marked out as the economic (i.e., relations of production in the strict sense), but a specific combination of various structures and practices which, in combination, appear as so many instances or levels, i.e. as so many regional structures of this mode. He cites Engels as saying that a mode of production is composed of different levels or instances: the economic, political, ideological and theoretical (Poulantzas 1973: 13). Poulantzas thinks that the attempt to establish a typology of the form of the capitalist state should be made in such a way that it can both be located in the relations between the instances and the field of the class struggle in a social formation, and also appear as forms of the same type of state (Poulantzas 1973:148). In other words, the defining of the concrete form of the state should be modifications of the relations constituting this type of state and this modification should not affect the very matrix of relations, which is mainly the separation of the political from the economic (Poulantzas 1973: 148).

Therefore, according to this structure of a mode of production we can say that the difference between a liberal state and an interventionist state concerns the modification of the distinction between a political instance and an economic instance in the CMP. While the liberal state in competitive capitalism witnessed the contraction of the political instance, the interventionist state in state monopoly capitalism has been expanding the boundary of the political instance in the CMP. However, in both cases the separation between the two instances remains robust. The

interventionist state exercises its intervention only within the framework of the matrix of the CMP (Poulantzas 1973: 142).

While the differentiation of the interventionist state and the liberal state concerns the stage of capitalism, i.e., the structure of the CMP, some forms of the capitalist state were classified in terms of the state's relation with the changing balance of social forces in the social formation. Gramsci came to view hegemony as the most important face of power, the 'normal' form of control in any post-feudal society, and, in particular, the strength of bourgeois rule in advanced capitalist society, where material force is resorted to on a large scale only in periods of 'exceptional' crisis (Femia 1987: 31). Based on Gramsci's insight, Poulantzas attempted to categorise various forms of the capitalist state into the two major forms, i.e., normal and exceptional state.

The general distinction between normal and exceptional forms of state is found in the claim that the former corresponds to conjunctures in which bourgeois hegemony is stable and secure while the latter corresponds to a crisis of hegemony (Jessop 1992: 65). For Poulantzas, the definitive features of the capitalist type of state were democratic institutions and hegemonic class leadership. He argued that democracy is the normal form of the bourgeois state, and the exceptional form corresponds to a precise conjuncture in the highly complex development of class relations, and to specific institutional features of the state which break with the regular forms of the reproduction of bourgeois political domination – that is, broadly speaking, with those of the 'democratic republic' (Poulantzas 1978: 208; Jessop 1985: 94). Exceptional regimes are always temporary and occur in response to specific circumstances (Jessop 1985: 99).

Poulantzas claims that the exceptional form of the state corresponds to a crisis of party representation. The role of political parties is either shifted onto other ideological state apparatuses, or to branches of the repressive state apparatus (Poulantzas 1974: 324). It is typically marked by a resurgence of organized physical repression (Poulantzas 1974: 318) and law no longer regulates: arbitrariness reigns (Poulantzas 1974: 322). Therefore, if the 'normal' state depends on the stable operation of representative democratic institutions under the hegemony of the dominant class(es), the 'exceptional' state eliminates democratic institutions and the autonomous organizations of dominated classes and relies instead upon coercion together with certain material concessions and an ideological offensive to secure the rule of capital (Jessop 1990: 65). In other words, whilst the moment of consent dominates that of constitutionalized violence in 'normal' states, the 'exceptional' state involves the increased use of physical repression and an 'open war' against dominated classes (Jessop 1990: 65). The exceptional form of the state cannot secure the flexible, organic regulation of social forces and the circulation of hegemony that is possible under bourgeois democracies (Jessop 1990: 66).

2.3 The Fascist State; the Concrete Form of the Capitalist state at a Specific Conjuncture

Although all capitalist states (regimes) share the same invariable form, which is an institutional separation of the political from the economic, every capitalist state at a determinate conjuncture has its own unique form. Only on this basis, would it be possible to differentiate, for example, the form of the Tony Blair regime from that of the Margaret Thatcher regime. All capitalist states share certain common and essential characteristics. But it is important to examine each state in its own terms rather than treat all capitalist states as identical because of their common foundation. The concrete form of the state shaped by internal and external factors at a determinate

conjuncture must be considered as the independent variable to which the state's activities are subject in its policy implementation.

For this reason, I will examine how Poulantzas investigated the fascist state as one example of the concrete form of the state. The fascist state is one of the exceptional forms of the state which Poulantzas analysed at the concrete level. While the study of normal-exceptional forms of state deals with the general characteristics of the capitalist state, the fascist state was investigated as the specific form of the state at a particular conjuncture in the development of capitalism. I will attempt to grasp the analytical method in Poulantzas' work on the fascist state. This attempt is important because I will adopt the methodological implications drawn from the study of fascism by Poulantzas to define the *form* of state under Kim Dae Jung, which is the main focus of this research. In investigating how he approached the specific fascist form of the state, I will explain what variables are taken into consideration by Poulantzas for defining the form of the state. At the same time I will look at how Poulantzas differentiates his analysis of fascism from that provided by the Comintern.

In his book, *Fascism and Dictatorship*, we find that Poulantzas approaches the problem of the fascist state with his consistent conviction that the form of the capitalist state should be determined by both economic and political factors: In defining the fascist form of the state he relies on the three facts (1) that the capitalist state is located in a specific position of world-system development; (2) that it corresponds to a specific stage of the development of capitalism; and (3) that its form is subject to the specific political factors surrounding the state at a specific historical conjuncture. He argues that this third factor was neglected in the Comintern analysis of fascism.

Poulantzas argues that in spite of everything that has been written to the contrary, the fascist state is a form of state of the capitalist type and therefore has features peculiar to the capitalist state. According to him, the fascist state emerges at a time of political crisis for capitalism.

> -The fascist state is a specific form of state, an exceptional state corresponding to the needs of a political crisis. Therefore:
> 1. It has a different form to the state in other social formations which belong to the same stage (the imperialist stage), but do not experience the same kind of crisis.
> 2. It has features in common with other states belonging to the imperialist stage; while it has to deal with the crisis, it has also to fulfil the functions required of it in this particular stage (Poulantzas 1974: 310).

What we can discern about the fascist state from the above propositions is that first, the form of fascist state corresponds to the imperialist stage in the *international conjuncture,* and second, the state, as an exceptional state, corresponds to the unique *social formation* which makes it different from other states in the same imperialist stage. So, the form of the fascist state is distinguished by two different levels of factors: the position within the imperialist chain; and the specific domestic social formation. In other words, we can note that in defining the form of the state Poulantzas takes as an 'external factor' the position of the state in the international conjuncture (based on the assumption that the sweeping spread of the world-wide capitalist development imposes constraints on capitalist development at the national unit level), and that he takes as an 'internal' factor the social formation influencing the form of the state.

In the early part of *Fascism and Dictatorship,* Poulantzas investigates the situation of Germany and Italy on the levels of international conjuncture and social formation. According to him, the weakness of Germany as a link in the imperialist chain is already becoming quite clear. It stems from the ensemble of contradictions in the German social formation, in its relations with other countries in the imperialist

chain (Poulantzas 1974: 29). He argues that the 1914-18 war certainly burdened Germany with reparations which she had to pay by the terms of the peace treaty. It transformed a country with foreign credit into a debtor country. Thus, from being a country which had exported capital, Germany became a net importer of capital (Poulantzas 1974: 26). But this weak characteristic of the chain was coupled with the difficulties inherent in the development of capitalism in Germany to create the crisis situation of the early thirties (Poulantzas 1974: 26). Poulantzas diagnosed that the German domestic problems were mainly due to the concrete form of the German transition from feudalism to capitalism, and to the nature and course of the bourgeois democratic revolution (Poulantzas 1974: 26). The revolution was not made under the hegemonic leadership of the bourgeoisie but instead it was directed from 'above' by Bismarck, and by means of a special alliance between the bourgeoisie and other classes. The formation of the bourgeois national state was very much delayed and this sort of development of the German social formation brought about a significant lack of national unity (Poulantzas 1974: 27).

In the case of Italy, he pointed out that Italy already had fissures in the structure of its social formation, and that this was aggravated immediately after the war in the serious economic crisis in which a basic unevenness between industrial development and the rural sector became evident (Poulantzas 1974: 30). Among the factors common to the two societies, Poulantzas notes late industrialisation; lack of foreign markets; strong development of finance capital; splits between industry and agriculture; absence of agrarian reform and resulting uneven development; contraction of the internal market; foreign indebtedness; a marked lack of national unity (seen in federalism, decentralisation, and provincialism); the relative absence of any hegemonic bourgeoisie able to preside over the process of nation building and

state formation; and a state whose general interventionist role prevented it from performing a specific role on behalf of monopoly capital (Jessop 1985: 230).

But Poulantzas does not emphasise the cause of fascism at the level of international conjuncture and social formation. He only briefly deals with the situation of the two countries at those levels. It was *on the level of specific conjunctural political struggle* that he attempted to find the cause of fascism in both countries; Indeed, the great bulk of the book is devoted to the specific and concrete description and analysis of what happened in Germany and Italy to find the political factors to the appearance and process of fascism. This is because Poulantzas, seeing fascism as a particular political phenomenon, tried to capture the essential elements of fascism by analysing the causes and effects beyond the secondary features characterizing it where it took root (Poulantzas 1974: 11).

For Poulantzas, confining the cause of fascism to social formation and imperialism was essentially economic determinism. Fascism was defined as an 'open form of repression' of the capitalist state during the transitional phase toward monopoly capitalism. According to this definition, the capitalist state shows necessarily strong interventionist characteristics entailing a repressive type of political domination to solve the contradictions inevitably growing during the process of capitalist development. The Comintern's explanation of fascism was in the same vein as this analysis. But Poulantzas argued that this interpretation of fascism is insufficient because it does not consider the political factors leading to the fascist feature characterised as an 'open form of repression.' According to Poulantzas there was a correspondence between the form of the fascist state and the political space in which political struggles are practiced. He argues that:

> -.The fascist state is also a specific form of regime. Therefore:
> 1. It has features in common with other forms of regime also belonging to the form of the exceptional capitalist state, in so far as they also correspond to political crises of a similar nature in a capitalist formation, e.g. military dictatorship and Bonapartism.
> 2. It is different from these forms of regimes, in so far as it corresponds to a specific political crisis and specific class relations (Poulantzas 1974: 310).

On Poulantzas' view, then, the fascist state has common ground with military dictatorship and the Bonapartist state. All three states, as exceptional states, experience the unstable bourgeois hegemony at the level of social formation. But the fascist state should be distinguished from military dictatorship and the Bonapartist state because it undergoes a different political crisis on the level of the form of the regime.

Introducing the concept of 'the form of regime' Poulanzas argues that the form of the capitalist state necessarily corresponds to a specific situation of political struggle of classes and implies that the study of the state must be based on an investigation into the complex situation on this level of political struggle. We should note that he is arguing that the appearance of fascism in certain countries could be understood only when we try to investigate *the specific political class struggle at the specific conjuncture.*

Now the question to be answered is how the form of the regime is different from the form of the state and what Poulantzas means by the specific political class struggle at the specific conjuncture. The distinction between the state and the regime lies in the understanding of the problem of two political spaces. The study of the state concerns the relationship of the economic, the political and ideology at a given state of the capitalist mode of production and it also deals with the general characteristics of the class struggle in the corresponding period of capitalist formations. On the other hand, the study of regime concerns the concrete methods of political class struggle in a determinate conjuncture (Poulantzas 1973: 308-321). Therefore, the study of the

fascist *regime* deals with the specific political crisis to which fascism corresponds. The study of the specific conjuncture of the class struggle means the understanding of political struggle happening at the level of the form of regime occupying the political scene in the determinate conjuncture. Poulantzas emphasizes that in this case the political parties and class representation by parties are particularly important (Poulantzas 1974: 311-312). It is from the analysis of this level, that is, with the fascist state as a form of regime, that Poulantzas argued that the specific feature of the fascist state should be understood as revealing a mass party within the ideological state apparatuses and so the fascist state is characterized by the *permanent mobilization of the masses* (Poulantzas 1974: 331).

The significance of *Fascism and Dictatorship* is that Poulantzas rejects the Comintern's analyses of fascism and he provides a new methodological attempt to analyse the appearance of fascism. He admits the correspondence between the fascist feature of the state and the period of monopoly capitalism. He says that "The phenomenon of fascism can only really be understood in so far as it is located within a stage characterized by this modification in the State's role" (Poulantzas 1974: 20) and that "the main feature of the process is monopoly capitalism. Here a phenomenon of decisive importance enters; the economic modifications of this stage assign a new role to the capitalist state, giving it new functions and an extended field of intervention, and also a new level of effectiveness" (Poulantzas 1974: 20).

Poulantzas emphasises the specific role of the state at the specific transitional stage to the dominance of monopoly capital. Thus, he thinks that fascism combines the role of the state in the imperialist stage with the specific role of the state in a transitional phase between stages. He argues that the role of the state in the transitional phase in question shows much stronger interventionist features. When the

transition was complete (i.e. after the end of the Second World War), the state confined itself to its role in the monopoly capitalist state, having already consolidated its dominance (Poulantzas 1974: 21). He argues that in the particular instance of German and Italian fascism, the decisiveness of the state's role is expressed not only in the imperialist stage, but also in its crucial role in the particular transition to the establishment of monopoly capitalism in these two countries (Poulantzas 1974: 20).

However, Poulantzas is not satisfied with the Comintern's equation between monopoly capitalism and the fascist state. The fascist phenomenon is by no means restricted to the period of monopoly capitalism. The 'period' is important only in so far as it circumscribes the conjunctures of the class struggle, and contributes to the emergence of the political crises to which fascism corresponds, political crises which are not determined solely by the character of the period, and which may well occur in other periods as well (Poulantzas 1974: 53). Therefore, he argues that "although fascism must be situated in the framework of a given stage of capitalist development, it is obvious that this stage is not enough to explain fascism: the 'interventionist' state does not necessarily take the form of fascism. Fascism therefore corresponds to a specific conjuncture of the class struggle." (Poulantzas 1974: 57). Poulantzas tries to capture the essential elements of fascism by analysing the cause and effects beyond the secondary features characterizing it where it took root (Poulantzas 1974: 11).

For this reason, the stress in *Fascism and Dictatorship* is on empirical research on the fascism of Germany and Italy. Poulantzas says that as fascism is a very complex phenomenon it can only be explained by elucidating its relation to the various classes in struggle (Poulantzas 1974: 70). So he investigates the crisis of fascism in Germany and Italy in terms of its relation with the various classes. With regard to the relation to the dominant classes, fascism is interpreted as a response to

the contradictions between dominant classes and dominant fractions of classes; the deepening and sharpening of the internal contradictions between the dominant classes and class fractions; the crisis of hegemony; the breaking of representational ties between the dominant class and the political parties, which is a very remarkable feature of the political crisis in question; and the offensive by big capital and the power bloc (Poulantzas 1974: 71-80). In relation to the working class fascism corresponds to a significant series of working class defeats; an ideological crisis of the working class; a significant crisis of the revolutionary organizations; the persistence and extension of the influence of social democracy on the working class; and an incorrect strategy of the Italian Communist Party (PCI) in the one case and the Comintern and the German Communist Party (KPD) in the other (Poulantzas 1974: 139-167). In relation to the petty bourgeoisie, fascism corresponds to an economic and a political and an ideological crisis for the petty bourgeoisie; and its formation into an authentic social force through the fascist parties (Poulantzas 1974: 247-258). The rise and rule of fascism also corresponded to an economic crisis in the countryside (Poulantzas 1974: 278).

I have analysed how Poulantzas approached the form of the fascist states in Germany and Italy and found that the form of the state corresponds to three levels of factors: imperialism *on the international level;* monopoly capitalism (specifically, transitional stage toward the dominance of monopoly capital) *on the level of domestic social formation;* and finally *the complex situation of political struggle at the determinate conjuncture.* It would not be appropriate to argue that his schema is necessarily relevant for studying other concrete forms of the capitalist state at different conjunctures, because the defining of the concrete state form could involve more variables than those found in Poulantzas' research, and also because the form of

the state at a specific conjuncture could be affected more by other factors than by those based on the three spatial levels. Nevertheless, the schema is of great use in my research because the *form* of the Kim Dae Jung state as a concrete historical form of the capitalist state could not be better defined by other than those factors on the three different levels. This assertion is empirically supported in the next chapter.

Conclusion

In this chapter I showed that the separation of the political from the economic in the capitalist relations of production is generally understood as the most general form of the capitalist state.

I compared the concept of 'strategy' of the state with the 'state derivation approach' and argued that while the latter maintains the form-determination fallacy due to its methodological tendency to stress 'capital logic', the former emphasizes a complex dialectic of forms and strategies. 'State derivation approach' is a theoretical basis to stress a binding and structural feature of the *form* of the Kim Dae Jung state. The concept of 'strategy' of the state is meant to highlight the strategy of the Kim Dae Jung regime to overcome the *form* of the state.

To obtain an analytical method to define the *form* of the Kim Dae Jung state, I investigated how Poulantzas analyzed the fascist state as a concrete form of the capitalist state at a specific conjuncture and found that the fascist state corresponded to the three levels of factors: imperialism *on the international level;* monopoly capitalism (specifically, the transitional stage toward the dominance of monopoly capital) *on the level of domestic social formation;* and finally the complex situation of political struggle *on the level of the form of the regime.*

CHAPTER 3: THE KIM DAE JUNG REGIME; ITS DOMESTIC AND INTERNATIONAL CONJUNCTURE

Introduction

In the previous chapter, I argued that the concrete form of the capitalist state should be understood on the three levels: the position of the world economy; the domestic social formation; and the complex situation of political struggle at the determinate conjuncture. The purpose of chapter three is to define the concrete *form* of Kim Dae Jung state according to the above-mentioned three levels. By defining the *form* of the Kim Dae Jung state, I intend to grasp what were structural conditions to the activities of the Kim Dae Jung state, i.e, the chaebol reform implementation. Comparing the Kim Dae Jung regime with the previous regimes in Korea, I will argue that the specific *form* of Kim Dae Jung state was characterised by its 'exacerbated dependency' on the level of international economy; 'increased labour power' *vis-a-vis* the state and capital on the level of the social formation; and 'fragile state unity' on the level of the political struggle.

3.1 The Exacerbated Dependency (on the Level of International Economy)

3.1.1 The State and the World Economy

The importance of the nation-state has recently been reviewed in the context reflecting the new wave of global political economy. As globalisation intensifies in contemporary world capitalism, the problem of the nation-state's centrality has become the dominating issue in the international political economy. Proponents of the externality of globalisation consider the retreat of the state inevitable and irreversible. For example, Strange argues that governments are the victims of accelerating technological change, and the integration of all parts of the globe into a single market economy (Strange 1995). In the same vein, Cerny says that "increasing transnational

interpenetration has the potential to transform the international system from a true state system into one in which this external bulwark is eroded and eventually undermined" (Cerny1996: 123).

However, in opposition to this assertion, critics attack globalisation theorists for narrow economic determinism and the 'teleology' of neoliberal economic globalisation. Particularly, leftist intellectuals seem to raise an unanimous voice in opposing the globalisation process. These critics emphasize the centrality of 'the political' in the analysis of political economy. The leftists claim that the proponents of globalisation are so mesmerised by the idea of linear progress and the putative role of scientific rationality and technology within it that they may be unaware of the possibility of historical retrogression, though many societies have suffered such processes in the past (Bienefeld 1994; Cox 1992; Gill 1997; Gills 2000; Panitch 1994; Radice 1999; Tsoukalas 1999). Barry Gills seems to represent their attitude towards globalisation when he argues that "globalisation is a contested concept, not a received theory; there is no single determinant economic logic external to society, to the state, and to political processes." He proposes that "we must make the effort to 'bring people back in' to international political economy as the agents at the centre of historical change" (Gills 2000: 6). The leftists argue that even if globalisation seems to be overwhelming the nation-state, the state could be deployed as a counter-offensive against the inhumane and ruthless wave of economic globalisation.[1]

Whatever view we take of this controversy, these current arguments revolving around the centrality of the nation-state in the wave of globalisation indicate that the problem of the state in capitalism cannot be considered detached from the

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[1] Amid an intensifying trend of globalisation the leftists' argument seems to be at most on defensive stance. To be offensive they need to come up with a new theorisation of the state in order to break a neo-liberal intellectual tendency to equate globalisation with a decreasing role of the state. I make my own attempt in chapter five.

international context. The logic of capital which resonated only in one country began to spread over the state boundary and infiltrate into the international sphere a long time ago. The *form* of the Kim Dae Jung state therefore cannot be properly defined without an appropriate consideration of the international context.

Long before the national state was interpreted in the context of globalisation, various theories dealt with the problem of the state's correspondence to the international political economy. For example, according to the neo-structural approach, 'national capitalism' is something of an illusion, if detached from a systemic or international context. The neo-structural approach stresses that while the existence of important 'national' institutional variants in class and state configuration and concomitant 'national economic strategies' must be taken into account in the analysis of international political economy, the inseparability of any 'national' variant of capitalism from the international or 'global' systemic context of the capitalist system must not be neglected when attempting to understand the dialectical development of world capitalism (Gills and Gills 1999a: 1).

Classically, the first sustained attempt to investigate the state in terms of its position in the world division of labour was the critique of imperialism advanced by such thinkers as Hobson, Luxemburg, Bukharin, Hilferding, and Lenin at around the turn of the twentieth century. The most important aspect of imperialism in the context of international political economy is that it first raised the law of uneven development in capitalism. Noting that "Uneven economic and political development is an indispensable law of capitalism" (Lenin quoted in Wolfram 1976: 503), Lenin argued that imperialism had created a two-tier structure within the world-economy with a dominant core exploiting a less-developed periphery (Hobden and Jones 1997: 127).

The structuralist perspective of imperialism is also found in the approach of dependency theory which holds that in the system of global capitalism the structure is systematically and inherently biased in favor of certain classes of individuals and nations[2]. Defining dependence, in Don Santos's words, as "a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected" (Dos Santos quoted Balaam and Veseth 1996: 73), the theory stresses the view that the structure of the global political economy essentially enslaves the less developed countries of the 'South' by making them dependent on the nations of the capitalist core of the 'North' (Balaam and Veseth 1996: 73).

Although there is considerable variation and disagreement on specific issues within the dependency school, all dependentistas tend to agree on one fundamental issue: that development in peripheral countries must follow a trajectory different from that of the original industrializers, if, enmeshed in the capitalist world-system, they were to change their position in the international division of labour (Evans 1995: 27). In tackling their central question of how to develop nations in peripheral regions if in fact they are exploited by the developed capitalist industrial powers, the dependency school made a considerable contribution to the understanding of the effects of foreign capital in shaping the process of development and class structures within peripheral/dependent societies.

World-system theory is another structuralist perspective which assumes that the familiar events of world politics are happening within the structure of a world-

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[2] In the late 1960s and the 1970s the dependency perspective became a major theoretical paradigm for explaining underdevelopment in the Third World and especially in Latin America. The founders of dependency theory included critical Latin American sociologists and historians such as Caio Prado, Jr., Sergio Bagu, and Florestan Fernandes. The theory was further developed by Andre Gunder Frank and Samir Amin.

system organised according to the logic of global capitalism. This perspective is a portrayal of the emergence and development of capitalism as a world-system. Thus, any attempt to understand world politics must be based on a broader understanding of the processes which operate within the world-system (Hobden and Jones 1997:126; Chase-Dunn 1987: 271). The theory, originated by Immanuel Wallerstein and developed by a number of scholars including Christopher Chase-Dunn, focuses on the way in which the global system has developed since the middle of the fifteenth century. The theory holds that the world-system largely determines political and social relations, both within and between nations and other international entities (Balaam and Veseth 1996: 71).

According to Wallerstein, for example, the core states dominate the peripheral states through unequal exchange for the purpose of extracting cheap raw materials instead of, as Lenin argued, merely using the periphery as a market for dumping surplus production. The core interacts with the semi-periphery and periphery through the global structure of capitalism, exploiting these regions but also transforming them. The semi-pheriphery serves more of a political than an economic role; it is both exploited and exploiter, diffusing opposition of the periphery to the core region (Balaam and Veseth 1996: 71).

What should be noted is that while imperialism and dependency theory pay considerable attention to the conception of separate 'economies' which are 'national' in scope, Wallerstein stresses that "the entire globe is operating within the framework of the singular social division of labour called the capitalist world-economy." He goes as far as to say that "the political superstructure of the capitalist world-economy is an interstate system within which and through which political structures called 'sovereign states' are legitimised and constrained." He continues to say that "far from

meaning the total autonomy of decision-making, the term 'sovereignty' in reality implies a formal autonomy combined with real limitations on this autonomy, which are implemented both via the explicit and implicit rules of the interstate system and via the power of other states in the interstate system. No state in the interstate system, even the single most powerful one at any given time, is totally autonomous" (Wallerstein 1984: 14). According to Wallerstein, nation-states are not free to choose courses of action or policies. Instead, they are relegated to playing economically determined roles (Balaam and Veseth 1996: 73). Although Wallerstein could be criticised for adopting an oversimplified way of characterising international political economy, he provides a powerful support to the proposition that the form of a state corresponds to the binding force of its position in the capitalist world-economy.

The more recent interpretation of the nation states in the context of the international political economy comes from the school of transnational historical materialism where Robert Cox has played a leading role (Gill and Law 1988). Transnational historical materialism departs from mainstream approaches to International Political Economy in the sense that it breaks with the state-centrism that remains a core assumption in most writings on IPE from a mainstream perspective. It identifies state formation and inter-state politics as moments of the transnational dynamics of capital accumulation and class formation, implying that the national-international dichotomy is seen as subordinate to the dynamics of social relations (Overbeek 2000: 169).

Cox argues that "Each state is constrained by its position and its relative power in the world order, which places limits on its will and its ability to change production relations.....the autonomy is, however, conditioned by both internal and external constraints.....the external aspect lies in the way the military and financial

constraints of the world system limit the state's options and the extent to which its historic bloc is penetrated by class forces that transcend or are outside its own borders" (Cox 1987: 399-400). Transnational historical materialism is a powerful leftist approach in interpreting the limited autonomy of the nation states at the current conjuncture of world capitalism, i.e., globalisation. According to Cox, the subordination of domestic economies to the perceived exigencies of a global economy is noticeable in the globalisation era. States *willy nilly* become more effectively accountable to a *nebuleuse* personified as the global economy. And they are constrained to mystify this external accountability in the eyes and ears of their own publics through the new vocabulary of globalisation, interdependence, and competitiveness (Cox quoted in Panitch 1994: 61).

3.1.2 Economic Dependency and the Korean State

Traditionally Korea has been a dependent state in the division of labour of the world economy. Some argue that facing a shortage of natural resources, capital, and advanced technology, Korea had to heavily rely on the foreign capital technology during the industrialization period of the 1960s and 1970s. They point out that the export-oriented accumulation strategy using foreign capital and technology made the nation's economy vulnerable to the changes in the international economic situation. They use foreign trade and foreign debt as major indicators proving the dependency of Korea on the external world economy (Menzel and Senghaas 1987: 60; Kuk 1987: 34; Park 1987: 90-91). Others explain the economic dependency of Korea from a geo-political perspective. According to this perspective, South Korea's insertion into the US hegemonic zone laid the groundwork for creating an external social structure of

accumulation, which entailed dependency (Kim 1993: 161). Bruce Cumings[3] argues that "Korea is in the web of American hegemony and so, like Japan and Taiwan, is "strong" in a struggle to industrialize but "weak" because of the web of enmeshment: it is a semisovereign state" (Cumings 1999: 92).

However, despite the credibility of the above two approaches, I interpret dependency in a different manner. In the wake of the 1997 economic collapse, scholars began to examine what went wrong in Korea.[4] Although they have different explanations regarding the collapse, these scholars have something in common, in that their explanations are all focused on the financial structure of the country. Free market economists and the International Monetary Fund (IMF) viewed the crisis as the legacy of an interventionist model, in which the state plays an active role in the allocation of economic resources to strategically designated ends (Thurbon 2001: 241). They blamed the crisis in South Korea on the financial structure which allowed the state to organise and direct the country's economic performance. In contrast, statists argued that the crisis was due more to 'underregulation' than overregulation. Specifically, they pointed to the liberalization of the Korean financial system in the 1990s and the abandonment of the state's earlier policy of planning and coordinating segments of the economy (Hart-Landsberg and Burkett 2001: 403). According to statists, the

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[3] It is from a hegemonic perspective that Bruce Cumings investigated the imposition of IMF controls on Korea during the Asian crisis in the 1990s. For Cumings, the IMF's imposition of the structural overhaul of the Korean economy was understood as part of the new American hegemonic strategy. He assumes that "the unexpected liquidity crunch gave American leaders the chance to dismantle the remaining alternative model of capitalist political economy, before it re-organized not just Japan and South Korea, but China as well. It also gave them a chance to reassert leadership in East Asia." Cumings argues that "the deep meaning of the Asian crisis therefore lies in the American attempt to bring down the curtain on 'late' development of the Japanese-Korean type, and the likelihood that it would be successful" (Cumings 1998: 45).

[4] There are two main perspectives explaining the political economy of Korea. The rapid economic development of South Korea provides a battle ground for free market and statist development advocates. The neo-classical analysts explain economic success on the basis of state regulation of the economy according to liberal, market-conforming principles. On the other hand, the statist approach explains South Korea's economic success in terms of the strong state's capacity for efficient macroeconomic intervention (Gills 1993: 229; Moon 1999; Yoshimatsu; 2000).

Korean government caused the crisis by its premature capital account liberalization which exposed the Korean economy to volatile capital flows (Haggard and Mo 2000: 197-218; Thurbon 2001: 241).

So finance is the key factor in both the liberal and the statist argument. In both cases the review of the financial structure is essential for understanding Korea's political economy. Taking my lead from this debate, it is by investigating the traditional financial structure of the country that I attempt to trace back the dependency of the Korean economy. To reveal the inherent structural feature of dependency, I have to review the government-organised financial structure which brought about the high debt – to equity ratio model of the Korean economy. This approach is indispensable preliminary work before investigating the chaebol reform implementation of the Kim Dae Jung regime, whose most important feature is the restructuring of the nation's financial system.

3.1.2.1 The Origins of the Korean Financial Structure: a 'Quasi-Internal Organization'

In May 1961, General Park Jung Hee launched a military coup and started the 'late industrialization' of the Korean nation. On 1 January, 1962, General Park announced the 'First Five-Year Economic Development Plan, 1962- 1966.'[5] The Park regime (1961-1979) launched an export-oriented accumulation strategy. The push for this strategy was initiated with total control of the financial structure by the government. According to Jones and Sakong, governmental control over finance was the major means whereby command was enforced, and a recognition of this control is central to understanding how business-government relations worked in Korea (Jones and Sakong 1980: 109).

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[5] Later the plan was followed up by more carefully organised economic development plans; the second 1967 – 1971, the third 1972 – 1976, the fourth 1977-1981, the fifth 1982-1986, and the revised sixth, 1988-1991.

In the early 1960s, the government made existing commercial banks de facto public enterprises by legally limiting private shareholders' voting rights. In addition, the government established a number of state-owned special banks and expanded existing specialized state-owned banks. At the same time, the Bank of Korea Act was amended in 1962 to facilitate the central bank's cooperation with the nation's long-term development efforts. With these institutional arrangements, the monetary authorities exerted strong pressure on the allocation of financial resources into strategic sectors (Sakong 1993: 33).

In the 1970s, with total control over the country's financial resources, the Park regime started a new ambitious accumulation strategy. Park issued a 'Pronouncement for Development of Heavy and Chemical Industries' in January 1973. It (the HCI drive) was designed to boost the capital-intensive heavy and chemical industries such as electrical machinery, transport equipment, iron and steel, chemicals, petroleum, and shipbuilding. Undoubtedly, this HCI promotion during the 1970s was the main contributing factor to the fast growth of the chaebol, because the HCI drive was an 'industrial targeting approach,' in which selected industries are promoted and supported by the government on a discretionary basis. The government determined which industries to develop and which products to produce and then selected a small number of the chaebol to carry out the production (Hart-Landsberg and Burkett: 406). In exchange for stunning performance in the areas of exports, R&D, or new product introduction, leading firms were rewarded with further licenses to expand, thus enlarging the scale of big business in general. Compensation for entering especially risky industries included rewarding entrants with other industrial licenses in more lucrative sectors (Amsden 1989: 14). And the government directly channelled a large proportion of the nation's financial resources into big business groups in targeted

sectors so that the chaebol grew at a much faster rate than the economy as a whole (Sakong 1993: 53). This state intervention through the HCI project formed the unique feature of Korean corporations, and, eventually, mammoth chaebol emerged. According to the World Bank, aggregate concentration measured by the sales share of the largest 100 firms in the manufacturing sector in Korea was 40.6 percent in 1970; 44.9 percent in 1977; and 46.8 percent in 1982 (Song 1990: 114). The chaebol grew in the encouraging atmosphere of Korean capitalism to play the essential part in the developmental state model. Owing to the capital flows and market shares entailed by the HCI, the chaebol became international players for the first time (Kumar, Campbell and Keum 1995: 86).

However, because of the governmental role of supplying financial resources, the financial structure of the nation became unstable. For instance, throughout the period of the regime, 'policy loans' played the most important financial role.[6] The proportion of total policy loans to total domestic credit increased from 45.1 percent for the 1972-76 period to 50.2 percent for 1977-80. And policy loans accounted for nearly 80 percent of incremental domestic credit extended in 1978-79 (Sakong 1993: 37; 55). These loans were granted by the discretion of government officials, and banks were allowed no voice over the allocative decisions, but had to passively accommodate the loans irrespective of their portfolio strategies (Woo 1991: 12). The banking system thus exhibited the most extreme case of dependence on the state. The Korean banks did not enjoy even limited autonomy with respect to criteria of lending and response to 'non-performing' loans (Woo 1991: 11). This manipulation of the

[6] The 'policy loan' policy under the Park regime was the chief instrument of financial allocation. This was the financial support earmarked to specific sectors or industries at preferential interest rates compared with the already highly subsidized bank loans.

financial sector in which the government, banks, and the chaebol functioned as a monolithic body was breeding potential financial disaster for the national economy.

The era of the Big Push for Korean industrialization ended with a bang in 1979 when Park Chung Hee was assassinated. Despite the fact that the Park regime successfully established the economic infrastructure for the future Korean economy, that infrastructure was based on a typical developmental state model which contains vulnerable structural dependency owing to the intrinsic financial instability.

3.1.2.2 The Partial Liquidation of the Old Structure: Semi-Privatisation of Finance

In 1980, General Chun Doo Hwan took over state power in another military coup, taking advantage of the power vacuum following the assassination of Park Jung Hee in 1979. The Chun regime (1980-1987) set out to tackle the structural problem caused by the direct intervention of the Park regime into the economy, and the new government shifted gear toward private initiatives and away from government intervention while reforming the nation's economic structural abnormalities. Financial sector liberalization efforts were an important part of the regime's economic reform (Sakong 1993: 4).

In 1981, the regime started privatization and deregulation of the five national commercial banks, the ten local or provisional banks, and all non-bank financial institutions and allowed the establishment of two new privately owned national banks, one in 1982 and the other in 1983 (Hart-Landsberg 1993: 232). Also liberalization produced significant changes in both the ownership and operation of the country's 'non-bank financial institutions' (NBFI). Government shares were sold off, barriers to entry were reduced, and the various NBFI were allowed greater freedom to set interest rates and offer new services (Hart-Landsberg 1993: 232).

However, these liberalization measures produced one unintended outcome. With enhanced accessibility to financial resources, the chaebol now could invest wherever they thought was profitable. As a result, the chaebol's financial structure worsened; the ten largest groups' average debt-equity ratio increased from 356 percent in 1979 to 464 percent in 1985; the average debt-equity ratio of the thirty largest business groups was 498.5 percent in 1983 in spite of the continuous regulatory credit management of the conglomerates (Rhee 1994: 204). During the Roh Tae Woo regime (1987-1992) the chaebol enjoyed an orgy of speculative investment activities. Productive investment seriously declined while non-productive speculative investment raced out of control. Rampant private speculation, especially in real estate and securities, threatened to accelerate the gradual deindustrialisation of Korea, as services overtook manufacturing at an alarming rate. The short-term profit perspective threatened to stifle the tight investment discipline of the authoritarian era, and thus to kill the goose that laid the golden eggs – Korea's manufacturing base (Gills 1993: 245).

Meanwhile, Korean capitalism was developing into a pathological form of developmental model. In the collusive state-business alliance both the state and capital began to be deeply embedded in morally hazardous ventures. The limits of the authoritarian regime created new forms of intervention, and the Korean state began acting more as a traditional racketeering state than as a 'developmental' state (Hart-Landsberg 1993: 232). The large chaebols were forced to make 'political contributions' to the two presidents, Chun Doo Hwan (1980-1987) and Roh Tae Woo (1988-1992). When their thirteen-year military rule was replaced in 1993 by Kim Young Sam, the nation's first civilian president in thirty years, these two ex presidents, Chun and Roh, had to stand trial in court, indicted of taking hundreds of millions of

dollars in bribes from 43 businessmen in return for government contracts and other favours while in office.

The chaebol themselves, however were not prepared to exercise their business via the market mechanism.[7] According to Barry Gills the chaebol were caught on the horns of a dilemma. On the one hand, they were enjoying increased autonomy from state tutelage. This was reflected in financial liberalisation that allowed business more flexibility and control over its own investment and credit decisions. On the other hand, business felt itself to be suffering from a decline in overt government support, both in the promotion of exports and in the subordination of labour. Business wanted to have its cake and eat it. It wanted to be autonomous from the state when it came to key economic decisions, but it wanted the state's unflinching support for its interest in finding markets and 'disciplining' the work force (Gills 1993: 244). During the two regimes of Chun and Roh a kind of 'sea-saw' relationship between the powerful chaebol and the highly interventionist power of the presidents and bureaucrats continued; both sides needed each other, but at the same time they struggled for autonomy and dominance (Bridges 2001: 7).

3.1.2.3 The External Shock and the Collapse of the Financial Structure

In 1993 Kim Young Sam took office as the first civilian president ending the long period of military rule (1961-1991) in contemporary Korea. The government's push in the direction of deregulation was the theme of the Kim Young Sam administration (1993-1998). He launched a 'New Economic Plan', which was a new strategy towards the financial system designed to adopt a considerable degree of liberalization. He also announced that the time was ripe for joining the Organization

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[7] Chairmen of chaebol were in the court with the two presidents. The 43 businessmen, chairmen of Chaebol, i.e. the group of Korean conglomerates represented all major groups of chaebol including the founder and former chairman of the Hyundai group, and the late Lee Byung Chul of the Samsung Group. The bribes to the presidents were made in exchange for lucrative contracts and tax favors.

of Economic Cooperation and Development (OECD). To polish Korea's application, Kim introduced a number of policy changes, the most important of which was to abandon the centralized planning and coordination framework. The government merged the Economic Planning Board (EPB) with the Ministry of Finance into a new super-ministry, the Ministry of Finance and Economy (MOFE), allowing the chaebol to have even greater freedom to invest and borrow where they liked (Bridges 2001: 16).

The Globalisation Commission was formally founded on 21 January, 1995. Its foundation was a reflection of the government's move toward liberalization, which was the prevalent deregulation mentality, but which did not distinguish between prudential regulation and economic regulation of the financial sector (Lee, J. 1999: 152). The move toward radical financial deregulation was encouraged by the IMF, the OECD, and by Western governments, banks, and firms. With aspirations to join the OECD placed high on the agenda by the Kim Young Sam government, the need to conform to prevailing international norms became much more urgent (Wade and Veneroso 1998: 9). The Kim administration formally applied for OECD membership in March 1995 and admission was achieved in December 1996.

Nevertheless, the Korean financial structure was still far from being a genuine market mechanism. Despite the fact that liberalization had been implemented by successive Korean governments since the early 1980s, the financial and industrial sectors of the Korean economy were still permeated with interventionism. By the early 1990s, although most financial institutions were officially privatized, their management was still under the strong influence of the government. The government controlled financial institutions through various means, including licensing of new business, personnel selection, auditing, and other regulations. In this situation, an

independent managerial entity of financial institutions was never established. Financial institutions failed to develop an independent ability to evaluate borrowers and to monitor them after lending was made (Lee, J. 1999: 149-150). The government still exercised control over the banks and that reduced incentives to monitor lending. Transparency was always overshadowed by political clientelism and cronyism. The government's interventionist 'habit' and the private sector's persistent expectations of government initiation/intervention in the market had long impeded the development of a market economy (Jwa and Lee 2000: 19).

In spite of this vulnerable institutional basis, Kim Young Sam's liberalization was implemented. The measures taken by the government included liberalization of exchange rate management; the liberalization of the foreign borrowing activities of financial institutions; the liberalisation of the establishment and activities of non-bank financial institutions (NBFLs); and the liberalisation of funds allocation and investment coordination (Thurbon 2001: 244). Consequently, the Kim Young Sam government removed controls on companies' foreign borrowings, abandoned coordination of borrowings and investments, and failed to strengthen bank supervision.

Meanwhile, the chaebol were setting the financial crisis in motion. During the three years from 1994 to 1996 facility investment in manufacturing rose by 38.5 percent per year. In the absence of effective regulation, the chaebol were allowed to go on an 'orgy of imprudent borrowing', mostly of unhedged short-term dollar-denominated loans from international banks. The result was 'the accumulation of a large stock of foreign debt and a vulnerable foreign liability structure'. Not only did Korea's total external debt grow rapidly from 1994, nearly tripling during the course of three years, but the proportion of *short-term external debt* rose steadily, from less

than 45 per cent in 1993 to nearly 60 per cent by the end of 1996 (Bridges 2001: 18). As a result, the short-term debts of Korean business and financial institutions far exceeded Korea's foreign exchange assets: By October 1997, US commercial banks estimated that Korea's short-term debts were $110 billion - more than three times Korea's foreign exchange reserves (Feldstein 1998: 21-33). The country's foreign-exchange reserves fell as low as $29.15 billion at the end of March in 1997 before rising to $29.83 billion in April, $31.90 billion in May and $33.67 billion in July. It then dropped to $31.14 billion in August and $30.42 billion at the end of September (*Korea Herald* 11/04/1997).

Amid this foreign currency reserve crisis the chaebol were unable to service their heavy debts and were therefore beginning to collapse. For example, Hanbo, Korea's second largest steel-maker and fourteenth largest chaebol, went bankrupt in January 1997. During the months following the Hanbo collapse, a series of the smaller chaebols also went bankrupt: Sammi in March 1997, Jinro in April and Daenong and Hanskinkongyung in May. Other famous names such as Ssangyong, Hanwha and Hanjin were reportedly in trouble and in all, eleven chaebols failed during 1997. Above all, the speculation over the possible bankruptcy of Kia, Korea's eighth-largest chaebol and a major automobile manufacturer, made international financial institutions worry about the Korean financial system and lose confidence in the Korean economy. At home the corporate bankruptcies led banks to face credit downgrades, resulting in mounting difficulties in raising funds overseas.

Korea eventually decided to apply for a bailout loan from the International Monetary Fund (IMF) in late 1997. On 22 November, after talks with IMF's first deputy managing director Stanley Fisher, Finance and Economy Minister Lim Chang Yuel announced in a press conference that Korea needed the rescue fund from the

financial organisation. The liberalisation measures undertaken by the Kim Young Sam regime had acted as a trigger providing the immediate cause of the crisis, because the poorly implemented financial liberalization measures had seriously weakened the corporate financial structure. Inadequate prudential regulations and supervision accelerated the collapse of the economy following the inappropriate sequencing of the domestic financial market's liberalisation (Jwa and Lee 2000: 19).

3.1.3 The Kim Dae Jung Regime under IMF Trusteeship

Korea turned to the IMF for help and accepted the conditions attached to an unprecedented $57 billion bailout package. According to the agreement, Korea was put under IMF trusteeship and lost its formal economic sovereignty. Before the presidential election in the winter of 1997 all presidential candidates had to pledge that they would carry out fully the directions from the IMF whoever won the election. In the election, Kim Dae Jung became the first president to achieve office as an opposition party candidate. The Kim Dae Jung government declared that it would conform to the structural reform package and build a new industrial and financial system to eliminate the fundamental sources of the crisis.

The IMF imposed the following measures for the overall restructuring of the national economy; restrictive macroeconomic policy, financial sector restructuring, and other structural measures containing trade liberalization, capital account liberalization, corporate governance and corporate structure reform, and labour market reform (IMF 1997a; 1997b; 1997c). In exchange for IMF stand-by credit, the Korean state therefore lost its formal decisional power in the management of the national economy. The subordination of the Korean state under the IMF programme was such an unprecedented event that some critics expressed concern over the IMF's intervention to impose structural and institutional reform on the Korean state.

According to Wade and Veneroso, in calling for structural and institutional reform, the IMF programme for Korea went well beyond standard IMF programmes. They suspected that "Just like in the old days there was this 'military-industrial complex', nowdays there is a Wall St. – Treasury complex" (Wade and Veneroso 1998: 18). In the same vein, Feldstein, viewing the Korean case as temporary illiquidity rather than fundamental insolvency, argued that "the IMF should eschew the temptation to use currency crises as an opportunity to force fundamental structural and institutional reforms on countries unless they are absolutely necessary to revive access to international funds" (Feldstein 1998: 32). Criticizing the IMF for its inappropriate role in dealing with sovereign countries that come to it for assistance, Feldstein argued that "the legitimate political institutions of the country should determine the nation's economic structure and the nature of its institutions. A nation's desperate need for short-term financial help does not give the IMF the moral right to substitute its technical judgments for the outcomes of the nation's political process" (Feldstein 1998: 27). All of this indicated that 'exacerbated dependency' came to constitute the *form* of the Kim Dae Jung state.

3.2 'Increased Labour Power' (on the Level of Social Formation)

3.2.1 The State and the Mode of Production

The correspondence between the form of the state and the social formation is based on the proposition that the function of the state is subject to the level of development of productive forces and changing balance of the contending classes in the society. From the stance of the state-centred approach, the stress on the importance of this correspondence might be rooted in the wrong approach of economic and class reductionism. However, in my view, it remains true that state activities develop in proportion to the changing mode of production, i.e., the changing

balance of class power in society. As Poulantzas repeatedly argued, state power is the condensation of social relations: the state represents not a particular class but the changing structure of class power relations under the relative predominance of one particular class over others.

In this sense, the absolutist state was regarded as the form of the state corresponding to the transition from feudalism to capitalism in Western Europe. The state was situated during the period of the 'major crisis' of feudalism in the fourteenth and fifteenth centuries. This crisis was characterized by the large-scale collapse of feudal agriculture, by the appearance of manufacturing enterprises, by the development of international commerce, and by a decline of population (Poulantzas 1973: 161). Here, the main feature of the form of the state was a strongly centralized state. As the various assemblies held by estates were threatened, the state made its appearance as a centralized institution, as the source of all 'political' power inside a territorial-national domain. It was in this way that the notion of state sovereignty gradually took shape (Poulantzas 1973: 162).

The state form corresponds not only to the mode of production but also to the different stages of the same mode of production. The capitalist mode of production has a history that can be periodised into stages. At different stages, the state has differing levels of significance. The state also plays a decisive role in the transition between stages in a single mode of production. Thus, even when we study the state at the level of the mode of production we must distinguish between those characteristics which apply at all stages of this mode and those which are specific to particular stages (Fine and Harris 1979: 94).

The liberal state and the interventionist state are considered to correspond to the stages of competitive capitalism and post-competitive capitalism (monopoly

capitalism and state monopoly capitalism) respectively. It is believed that in competitive capitalism the class relation was shaped mostly by the two antagonistic classes in a pure economic relationship, with the state remaining just as a referee who merely secures the general conditions of production in the private sphere. In this case the state provides the limited but essential external conditions for capital accumulation and economic processes but does not directly intervene in such processes. The state guarantees the most abstract general conditions for the existence of capitalism providing the legal and monetary systems necessary to facilitate the production and exchange of commodities and the accumulation of capital. However, the development of capitalism entailed a change from *laissez-faire* to interventionist forms of state involvement in the economy and industrial relations. The state became deeply involved in the class struggle in the stage of post competitive capitalism. As we saw in chapter one, Harbermas argues that as the relation of production became re-politicized, the liberal state transformed itself into the interventionist state, possessing the dominant steering mechanism of the society. The state apparatus no longer, as in competitive capitalism, merely secures the general conditions of production, but is now actively engaged in it. The state is not outside the relation between the capitalists and working class, but inside the antagonistic relations playing the political role as mediator for the task of integrating the system. Indeed, in state monopoly capitalism (SMC), which is the latest stage of the capitalist mode of production, the state's predominance in economic reproduction is the distinguishing feature (Fine and Harris 1979: 122; Strinati 1979).

The correspondence between the state and the mode of production has implications for the issue of state autonomy in the sense that a mode of production is no more than another expression of the changing balance of class forces which

confines the autonomy of the state. The change of the mode of production entails a different composition of classes and the changing balance of class power. The power of the landlord class was predominant in feudalism as the bourgeois class power is so in capitalism. It should also be noted that within the same mode of production the balance of class power is always changing according to the specific rhythm of the class struggle at a determinate conjuncture. This means that class power is the permanent factor influencing the autonomy of the state; the state could not be independent of this changing class force. As said above, the state is the condensation of a relationship of forces between classes and class fractions. Hamilton argues that state autonomy is limited by the position of the state within a given social formation in which a particular mode of production and class may be dominant (Hamilton 1982: 24).

3.2.2 The State and Classes in Korea

The search for the correspondence between the Kim Dae Jung regime and the social formation in Korea raises the question of whether or not there exists a distinctive feature of the social formation corresponding to that regime. The answer is that the distinctive feature could be found only in so far as the social formation is defined as the changing balance of the class power at the determinate conjuncture, rather than as the broad concept of the mode of production.

The Kim Dae Jung regime that this study investigates is the concrete form of the capitalist state at a determinate conjuncture rather than the abstract form of the capitalist state which was formed several hundred years ago on the matrix of the capitalist mode of production. The concrete form of the state changes with each country's border and it also differs between regimes within a country's border – for example, between pre-Kim Dae Jung regimes and the Kim Dae Jung regime. For this

reason, the capitalist mode of production itself, the common social formation on which most economically advanced countries and the contemporary Korean regimes are all founded, would not be an appropriate conceptual tool in finding the correspondence of the social formation to the Kim Dae Jung regime. Moreover, the mode of production corresponding to the Kim Dae Jung regime had already been established before the commencement of the regime in 1998.[8] In Korea, the capitalist mode of production was already established long before the Kim Dae Jung regime started in 1998. This means that the social formation seen in terms of the mode of production cannot characterise the *form* of the Kim Dae Jung state. Thus, the correspondence of social formation to the regime should be investigated in terms of other than the mode of production to characterise the concrete form of the regime. I investigate the correspondence of the Kim Dae Jung state to the social formation in terms of the changing balance of class power and argue that the *form* of the Kim Dae Jung state corresponds to the *dominance of labour over capital* for the first time in Korean history.

3.2.2.1 The State-led Capital Accumulation and Ascendancy of Capital in Korea

The rapid expansion of the Korean economy during the Park Jung Hee regime (1961-1979) was achieved by what James West calls 'corporatism without labour' whereby the state, the conglomerates and the banks worked hand-in-glove, but labour was systematically excluded (Cumings 1998: 62).

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[8] The emergent structure of capitalist class relations in Korea goes back to the period of Japanese colonial occupation (1910-1945). The post colonial period saw a further radical transformation of Korean society with the implementation of land reform, first by the American military government in 1948 and second by the Korean government in 1950. Land reform was crucial in shaping post colonial Korean development. It was in the sixties that state-led industrialization swept the country so throughly that the stage of the state monopoly capitalism is traced back to then. The mode of production corresponding to the period of Kim's regime was already established a half century ago. For a thorough analysis, see Shin 1998; Hamilton 1986.

By assuming power through a military coup, the Park regime had a great deal of autonomy from social classes. The Park Jung Hee regime in 1960s-70s could serve as an ideal case study for state-centred theorists who argue that the state is an institutional body with a unique centrality and stands as a key independent factor in social explanation. Taking the regime as a model case they would be able to attack Classical Marxists and pluralists for portraying the state just as a dependent variable. Indeed, the regime was an independent actor that formulated and pursued accumulation strategies in the developmental period without its autonomy being defied by any social forces. In the state-led industrialisation period, the Park Jung Hee state possessed the central role of establishing the capitalist mode of production in the absence of a bourgeois revolution. Korea's particular form of capitalist development curbed the possibility of bourgeois hegemony that is found in normal capitalist states. It was the state, not the bourgeoisie, that was historically the initiator and leader of the industrialization process (Eckert 1993: 101).[9]

But the state was not impartial in managing its relationship with social forces. The Park Jung Hee regime displayed a special favour for capital in the export-oriented growth strategy, providing the foundation for capital to enjoy monopolistic privileges in the domestic market. Meanwhile, the regime was ruthlessly repressive on the working class. The process was 'authoritarian modernization' in which labour was politically demobilized and economically mobilized (Choi, 1987, p.305). After the coup, General Park dissolved all social and political institutions including labour unions. After several months, the military junta created new official labour unions and

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[9] From Chibber's perspective this kind of statist view was an exaggeration. The statists go too far. According to Chibber, the statists, in their zeal to overturn the neoclassical picture, emphasise too much that the Korean state was sufficiently autonomous from its capitalist class. He explains the success story of Korea by investigating the role of the alliance between Japanese and Korean capital. Chibber argues that "the Korean state was exceptional not because it was able to ignore the constraints that bedevil most capitalist states; it was exceptional because of the manner in which it accommodated itself to those constraints" (Chibber 1999: 338-339).

union leadership was made up of hand-picked supporters of the regime (Kim 1993: 188).

By organising official labour unions, new labour codes were enacted. The 1963 laws included the following regulations: a union had to be legally recognized; a 'second union' was not allowed (in other words, there was only one officially recognized union in the individual plant or level of organization; state intervention in the internal and operational matters of labour was expanded in scope; administrative authorities were granted the rights to convene extraordinary meetings of unions, or to audit union finances. Though basic rights of labour were formally guaranteed on paper, the realization of these rights was strictly regulated and limited (Choi quoted in Kim 1993: 188).

Since the implementation of the Heavy and Chemical Industrial Development Plan in the early 1970s, labour became more alienated from the partnership between the state and capital. The Park regime moved toward heavy chemical industrialization, channelling the bulk of national resources to chaebol-dominated heavy industries. While this strategy permitted an impressive rate of economic growth, the workers in small and medium scale industries continue to suffer from low wages, poor working conditions, and despotic labour relations in the work place (Koo 1993: 139). Although the state allowed real wages to rise slowly and steadily, they were always behind increases in productivity and spurts of economic growth. The general rise in real wages over time had little or nothing to do with an increase in organised labour's bargaining power. Rather, it was a controlled process that contained social tension, while allowing the national economy to approach the goal of a more skill- and capital intensive production system (Gills 1993: 234). In addition to low wages, South Korean workers faced extremely oppressive working conditions. For example,

according to the International Labour Organization, South Korean workers had the world's longest working week throughout the 1970s. And, in contrast to trends in most other countries, their average working week actually lengthened from 50.5 hours a week in 1975 to 54.3 hours in 1983 (Hart-Landsberg 1993: 203).

However, as industrialization deepened, the working class began to grow as an influential social class. Even though their activities were constrained and regulated by state repression, labour resistance began to emerge under the surface. The highly authoritarian and abusive practices of authority in Korean factories during the rapid industrialisation developed worker identity and class consciousness (Koo 2001: 127). As official unions did not represent the workers' position, working class consciousness was promoted by external assistance from social activists, students and religious groups. For example, the Urban Industrial Mission and Young Catholic Workers were active religious groups. While the strikes in the 1970s were led and initiated by workers, many labour leaders received training and assistance from the Urban Industrial Mission, the Young Catholic Workers, and scores of students who became factory workers to assist union-organizing efforts (Kim 1993: 218 - 224). Ogle was an American former clergyman who played a important role in establishing labour-oriented missionary work. He later presented a vivid firsthand description of the plight of Korean workers under the military authoritarian regimes (Ogle 1990; Koo 2001: 14).

3.2.2.2 The End of State Dominance: the Growth of Capital and the Expanding Grass Roots Basis of Labour

To remedy the structural problem caused by state intervention of the previous regime, the Chun Doo Hwan government adopted a liberalization policy. During this period the apparent shift in power relations between the chaebol and the state appeared. Although the chaebol were initially created by the state, they had become,

by the end of Park's heavy and chemical industrialization drive, a significant social force in the society, and chaebol power grew rapidly owing to the liberalization measures during the Chun regime.

The chaebol made the best use of the liberalization policy to expand. Individually and collectively, they found legal and illegal ways to gain considerable control over newly privatized banks. As a consequence, the concentration of credit allocation was increasing. The share of the thirty largest business groups in domestic total credit (bank loans and payment guarantee) increased from 43.2 percent at the end of August 1983 to 48.0 percent at the end of March 1984. The largest business groups dominated both ownership of commercial banks (nationwide city banks and local banks) and non-bank financial institutions (short-term finance companies, securities corporations, and insurance companies). By the end of September 1984, the thirty largest business groups had borrowed about 70 percent of the short-term finance companies' total credit as a result of the government's decontrols on entry into, and ownership participation of, the non-bank financial institutions (Rhee 1994: 203). Taking advantage of loosened restrictions, the chaebol increasingly made investment decisions on profit criteria and market conditions, rather than on the interests of overall long-term national economic development as defined by the state (Gills 1993: 232).

The outcome of the liberalisation policy was the increasing autonomy of capital *vis a vis* the state, and in turn, the increased power of the chaebol aborted the government's attempt to fend off the speculation spree of the chaebol. The Roh Tae Woo regime (1988-1993) proposed a remedy to cure the unhealthy pattern of investment for the national economy: The government launched two policy proposals; the 'Real Name System' (which would require registration of the actual name of the

owner of assets or depositor of sums) in financial transactions; and the 'Public Concept of Land' legislation (which would prevent the chaebol from buying land for speculative purpose). The reforms were designed to curtail secret movements of capital, including hitherto undetected capital flight, and undermine the power of both speculation and tax evasion of the chaebol. However, the proposals led by Cho Soon, the reform-minded Deputy Prime Minister, encountered fierce resistance from the chaebol and their political allies. He was first isolated within the administration, and then abandoned completely by President Roh. Cho's successor, Lee Soon Yun, rose to prominence by frontally attacking the Real Name System and the Public Concept of Land on behalf of vested interests (Gills 1993: 246).

Chung Ju Young's candidacy for the 1992 presidential election was, however, the best example of increased chaebol power. The chaebol's powers had been contained by the government's dominating political position until the 1980s. However, as illustrated by Chung Ju Young's candidacy in the 1992 presidential election, the chaebol could organize themselves into a powerful political group and exercise increasingly greater influence on government policy (Chang and Park 2000: 118). Although that class was still weak and vulnerable politically under the ruthless military dictatorship of the Chun regime, it was establishing the social and economic foundation to circumvent state power from the late 1980s under the Roh Tae Woo regime. Having attained a dominant position in the national economy by the 1970s, the capital tail began to wag the state dog (Gills and Gills 1999b: 205).

In the meantime, the labour force was gradually rising up. During the rule of the Chun regime (1980-1987) the labour force was continuously repressed by the military regime. Chun continued the anti-labour policy of Park and further tightened his controlling grip. In order to prevent the emerging working class from growing as a

political force, more detailed legal measures were contrived. Local unions could not legally turn to other third party entities for negotiating assistance, whether they are social or religious organizations or even attorneys. The government labour authority retained the right to determine the relevance of a dispute filed by the unions and could dismiss it as illegitimate at any time (Kim 1993: 260). However, since the victory of the historic democratization movement in 1987, long-repressed demands of workers erupted in massive labour strikes. Koo called the labour uprising of 1987 'The Great Worker Struggle'. According to him, it was entirely the result of workers' voluntary and spontaneous participation in collective actions (Koo 2001: 161). A rapid increase of local unions and union membership followed. The strike wave began with workers employed by the large chaebol in the industrial areas of Ulsan, Masan, Changwon, and Pusan and soon spread throughout the country to include manufacturing workers in small-and medium-sized businesses as well as white collar workers in health, finance, research, education, transportation, and tourism. The total number of recorded labour disputes rose from 237 in 1986 to 3,749 in 1987. Over 3,200 strikes occurred between July and August 1987 alone (Hart-Landsberg 1993: 274).

Even more important than the number of strikes was the degree of worker organization and coordination. During this time, the call for democratic unions topped the list of demands, with wages and working conditions secondary to this. Most workers involved in the strikes did not trust the Federation of Korean Trade Unions (FKTU) or the leadership of local unions which were loyal to government authorities and to the FKTU. Workers soon began to coordinate their actions regionally, industrially, and within the various subsidiaries of individual chaebol. In 1988 regional councils of trade unions were formed in the cities of Inchon and Seungnam, and the first regional labour federation, which was the aggregate of local unions in

neighbouring areas, was established in the Masan-Changwon region. By July 1988, eight regional labour federations or councils had been formed. Reflecting the level of organizational and political development of the labour movement, these eight councils joined together to form the National Council of Labour Movement Organizations (NCLMO). The NCLMO launched a new, more permanent organization, the Korea Trade Union Congress (KTUC) in January 1990 (Hart-Landsberg 1993: 277-279). Attention should be paid to the fact that the years 1987 and 1988 saw the unionization of many white collar workers, such as the national teachers' union, hospital workers' unions, unions of workers at foreign firms, financial and banking workers' unions, unions of workers in journalism and broadcasting, and unions of workers at professional research institutes (Kim 1993: 265).

The violent labour unrest that erupted during this period demonstrated the working class's potential power. Trade unions had been always under complete state control, but in 1987 the labour movement noticed a big stride. It was a significant development for the future labour movement that alongside blue-collar workers' unions, many white collar workers' unions were also organized to launch a massive struggle against the state control in the years to come (Hart-Landsberg 1993: 279).

3.2.2.3 The State Embedded in Social Classes; the 1997 Financial Crisis

The Kim Young Sam regime, the first civilian government, recognised the legitimation function of the state to engage in a politics of economic reform, expanded welfare, and social inclusion. However, according to Barry Gills, President Kim Young Sam's initial anti-chaebol measures and attempts to dismantle vested interests and root out corrupt practices made sections of the middle classes uneasy, revived a conservative backlash against reform, and the initial anti-chaebol or deconcentration programme was met by a 'strike by capital'. Kim Young Sam chose to restore

business confidence and revive the investment climate. He called an extraordinary meeting with leading chaebol business magnates at the Blue House (Presidential Office), imploring them to resume investment in manufacturing and industry and soliciting their involvement in large scale new infrastructural projects. This 'reverse course' clearly demonstrated the increased power of capital (Gills and Gills 1999a: 10).

The state could not play the role of organiser of the national economy. The state was losing its autonomy during the Kim Young Sam regime. The weakness of the democratic regime meant that it could not break the shell of the old developmental state form. While state repression had played a critical role in sustaining state autonomy under the authoritarian military regimes, the autonomy of the Kim Young Sam (democratic) regime was still hampered by the old (authoritarian) developmental state form, which was characterised by crony capitalism. As a long-time opposition party leader under the previous military regimes, Kim Young Sam had been relying on financial support from big business for his political survival. This fact made it impossible to sever past relations with big business, and the Kim Young Sam regime could not be a new mode of regulation to ensure a more innovative and competitive form of economic intervention.

Meanwhile, the already feeble state autonomy was further debilitated by the increased power of labour. The government was preparing for membership of the OECD. The preparations for South Korea's entry into the OECD increased the urgency of making headway in labour reform. In May 1996, President Kim Young Sam established a Presidential Commission on Industrial Relations Reform (PCIR), including representatives from the labour force (Gills and Gills 1999a: 14). The commission designed the final draft on 3 December 1996 and the government

finalized its revision bills highlighted by the legalisation of the lay-offs by employers and the immediate recognition of more than one national organization representing unions. Until that time the government allowed only the Federation of Korean Trade Unions (FKTU) to represent labour in Korea. Once the government bills were passed in the National Assembly, employers were to be able to lay off redundant labourers and the Korean Confederation of Trade Unions (KCTU), an outlawed grouping of unions nationwide, was supposed to be legally recognized together with the FKTU.

However, the bill faced strong opposition from both sides. For Korean workers the legalisation of lay-offs could be a serious threat to their living conditions in the absence of a proper national welfare system. For capital, plural labour organizations could be a major blow to employers, encouraging intensified strikes from the labour force. But despite objections from both capital and labour, the government announced the completion of the package of labour law revision, having concluded that labour-management relations reform was indispensable if the nation was to cope with the changing internal and external economic conditions.

On 26 December 1996 the ruling New Korea Party (NKP) railroaded the contentious bill through the National Assembly in the absence of the opposition. The bill on labour reform was passed in seven minutes of predawn action at a plenary session. Caught by surprise, the opposition parties denounced the secret action on the House floor as a 'coup in the Assembly,' and immediately moved to launch a joint nationwide struggle to nullify it and to bring down the Kim Young Sam government.

To make matters worse, it was found that some provisions of the law were changed from the first bill that the government initially drafted. The government-drafted labour bills had confirmed that multiple labour organizations could be established from the following year, but the newly-enacted labour laws banned their

establishment for the next three years. Therefore, despite the organisation's high profile in Korean labour circles, the (progressive) Korean Confederation of Trade Unions was to remain illegal. It was said that a special task force within the ruling party revised the original bills, reflecting the opinions of employers, who were afraid of 'confusion in labour unions caused by conflicting directives from different labour federations' (*Korea Herald* 27/12/1996). With regard to the lay-off regulations, the first government bill accommodated demands from labour. However, the laws passed apparently limited the conditions under which lay-offs could be undertaken. The first bill provided for company lay-offs when there was prolonged deterioration of company conditions, the restructuring of organizations and work patterns, structural changes in the relevant industry resulting from the introduction of new technology and technological renovation or the change of businesses. However, the passed labour laws did not specify in as much detail the conditions under which lay-offs were to be allowed. The new law thus provided room for company management to lay off workers unfairly (Sun 2003: 119-123).

The move by the ruling party (NKP) sparked nationwide labour strikes. For labour the legislation was thought to threaten the job security of a wide section of the working population. Indeed, the lay-offs provision made even the white collar and professional sectors of the economy uneasy about possible future dismissal. The passage of the laws touched off nationwide labour protests, the most serious industrial unrest since the Kim Young Sam government was inaugurated in early 1993. A 21-day strike crippled the nation's auto, shipyard and other key industries, resulting in some $3 billion in lost production and exports. The labour turmoil hit the nation's economy hard, which was already troubled by a widening current account deficit which reached $23.7 billion in 1996. Initially, public support for the general strike

was polled at a mere 26 per cent before the strike, but steadily increased, to finally reach 80 per cent in the third stage of the action (Choi 1997; Gills and Gills 1999a: 16).

In January 1997, faced with formidable defiance from labour, President Kim Young Sam promised to rewrite the controversial labour laws through bipartisan deliberations at the National Assembly in order to defuse the labour crisis. An extraordinary session of the National Assembly convened on 17 February 1997 and the ruling and opposition parties passed a re-revised labour law at the National Assembly on 10 March 1997.

At the centre of the revision was the immediate recognition of multiple federations of trade unions and the right to exercise involuntary lay-offs. The new labour law specified that more than one labour union was to be allowed at the industry and association level immediately, thereby enhancing the basic labour rights of workers by granting them the right to freely join the trade unions of their choice. The second labour organization, the KCTU would become a legal entity. With regard to the issue of layoffs, the new revised law called off the earlier provision to allow employers to exercise immediate lay-offs, and instead adopted a two year moratorium on redundancy dismissals. According to the new law, from 1999 businesses could terminate employees in cases of necessity, (for example, threat of bankruptcy; to regain competitiveness; and redundancies due to automation). Employees could take legal action against management when they were fired for reasons not stipulated in the law.

This outcome was a thinly disguised *labour victory*. In a meeting with opposition party leaders, Kim Dae Jung and Kim Jong Pil, the president promised that he would order law enforcement authorities to suspend executing arrest warrants

issued against militant union leaders who had orchestrated the nationwide wildcat strikes since the ruling party's unilateral passage of a labour bill through the National Assembly in December 1996. Charges were dropped against twenty union leaders for leading illegal strikes.

Gaining momentum from this victory, labour planned an unprecedented political step: unions decided to choose their own presidential candidate, challenging the established political parties. For the presidential election later in the year, labour leader Kwon Young Kil (who had led the nationwide labour strikes in January) was nominated as a presidential candidate by the reformist group backed by labour unions and dissident groups called 'People's Victory 21'. This was the first time in Korean history that labour unions and dissident organizations jointly supported a pro-labour presidential candidate.

3.2.3 The New Corporatism in Korea

Referring to the political economy of the Park Jung Hee regime, Cumings quoted James West as saying that it was 'corporatism without labour' whereby the state, the conglomerates and the banks worked hand-in-glove, but labour was systematically excluded. However, in the same article Cumings claims that at the inception of the Kim Dae Jung regime, Korean labour enjoyed one of the strongest labour movements in the world (Cumings 1998: 60).

As we have seen, for the past four decades Korean labour has continued to grow and finally has become a powerful intervening force in the implementation of state activities. This growth was materialised by the formation of the Tripartite Committee (*NoSaJung WiWonHoe*) at the inception of the Kim Dae Jung regime. On 26 December, 1997 President-elect Kim Dae Jung proposed the introduction of the tripartite system in which labour, business and government would work together to

overcome the economic crisis. The committee was expected to forge a social consensus on the reform of the economy. It was supposed to cover all aspects of economic reform, not just the labour market. Such consensus was considered a prerequisite for overcoming the nation's economic crisis. On 15 January, 1998 the Tripartite Committee was formally established under the principle of the equal trilateral representation between government, business, and organised labour. Domestically, it was expected that the committee would reduce social unrest, creating consensus on the need for structural reform and burden sharing. Abroad, it played a major role in restoring the confidence of foreign investors and companies in the Korean economy, convincingly demonstrating the will and capability of the Korean people to overcome the economic crisis.

From the view of the labour movement, the significance of the committee was that for the first time in Korean history the working class was granted a formal institutional position to participate in state management. Korean capitalism was ushering in an era, of 'new corporatism with labour' whereby the state and capital cannot systematically exclude labour as they did in previous authoritarian regimes. In a sense, labour was not just in an equal position with the state and the capital. It was holding a conjunctural advantage point in its relation to the state and capital. In the wake of the 1997 financial crisis, the chaebol were totally paralysed and the state was well aware that it could not overcome the national crisis without placating the labour force. The state was therefore now embedded with the labour force and this was conspicuously manifested in the tension revolving around the issue of the new legislation of the labour law.

As new legislation allowing immediate layoffs was one of the key conditions imposed by the International Monetary Fund in exchange for its record $57 billion

bailout package to Korea, the revision of the law became imperative on the agenda of the Tripartite Committee. Government and business, responding to IMF conditionality requiring liberalisation of the labour market, demanded that labour accept the abandonment of the two year moratorium on redundancy dismissals, which was the main achievement of the Korea labour unions' victory in the spring of 1997. The President–elect emphasized that the legalization of layoffs was indispensable to attract more foreign investment and extension of the nation's short-term loans. That is, the state and capital asked labour to accept reversal of a key gain made in the national strike (i.e. the moratorium on redundancy dismissals) under the previous regime in order to assist the new government of Kim Dae Jung in overcoming the financial crisis (Gills and Gills 1999a: 23).

The legalisation of the layoffs was finally accepted by labour. In early February 1998, representatives from labour, business and the government agreed to legalize layoffs. The agreement came as the labour representatives accepted layoffs in return for more labour freedom. Now, with legalized layoffs, the two year moratorium was called off and employers were to dismiss workers in mergers and acquisitions, and other cases of the dissolution of companies. On 17 February, the bill was passed in the National Assembly, legalizing corporate layoffs.

But the process of agreement on the legislation revealed the new conjuncture in which labour would in the future be the most influential force hindering the autonomy of the Kim Dae Jung regime. In exchange for their acceptance of corporate lay offs, the unions demanded prior commitments from the chaebol and the government on their own reforms. Both FKTU and KCTU proposed that the chaebol should share the pain of restructuring through ways of liquidating their real estate and other assets and by ensuring that the 'real' culprits and perpetrators of the national

crisis, i.e. the chaebol, would be held responsible and punished. Labour argued that the government draw up strong protective measures for the jobless and job security. It also called for the government to streamline the bloated bureaucracy, and for management to carry out a sweeping industry restructuring, while at the same time refraining from 'recklessly' laying off workers.

Labour made it clear that it would disrupt the Tripartite Committee unless these requests were granted. On 2 February 1998, the Korean Confederation of Trade Unions (KCTU) threatened a strike if a controversial lay-off bill was sent to the National Assembly for approval. The KCTU argued that they were being abused and forced to accept lay-offs and the commission was simply trying to push through the lay-off bill without developing concrete burden-sharing plans for business. On 3 February 1998, in line with the KCTU's stance, the Federation of Korean Trade Unions (FKTU), the nation's largest labour group, announced its withdrawal from the 'burden-sharing' panel with government, business and labour. Angrily reacting to the government's reported plan to push through the controversial lay-off bill at the National Assembly, FKTU leaders walked out of the tripartite committee meeting.

Although a breakthrough came in early February when labour accepted layoffs in return for greater labour freedom of action such as allowing the teachers' union, the protracted process of legislation demonstrated that the unions held the key to whether Kim Dae Jung's – and the IMF's – reform program would succeed or not. When the unions accepted the lay-offs - that is, gave up the two year moratorium they had achieved in the struggle, they were not representatives of members of one class in the society. They were representatives of the national-popular state. Their class consciousness was abated by nationalism in the 'emergency' of a national crisis following the 1997 financial collapse. Labour under the Kim Dae Jung regime was

already strong enough to break out of the tripartite committee table in future negotiations, and *the state became the first South Korean regime whose form was determined by the relative preponderance of labour.*

3.3 The Fragile State Unity (on the Level of the Political Regime)

3.3.1 The State as the Regime at a Determinate Conjuncture

In the previous chapter I argued that the concrete analysis of the capitalist state requires an examination of the state on the level of the form of the regime. The form of the state corresponds broadly to a certain stage of the mode of the production (for instance, the stage of state monopoly capitalism) but must be understood also as a specific form of regime corresponding specifically to the political struggle at a determinate conjuncture. Especially when it comes to the problem of the unity of state power, the understanding of the concept of 'the form of the regime' is important because it is the political struggles on the level of the form of the regime that actually affect state unity. Only with the concept 'the form of the regime' would we be able to realise that even if state unity is originally faced by the hegemonic class or class fraction on the level of the form of the state, state unity is influenced directly by the political struggles on the level of the form of the regime.

In this section I will argue that 'fragile state unity' on the level of the form of the regime was an important constituent of the Kim Dae Jung state. But, before I examine the 'fragile state unity' I need to introduce the concept of 'the power bloc' around which the explanation of state unity is to be centred.

The power bloc is the abstract space in the social formation in which the political activities of the dominant classes or fractions are practised. It is the place of the particular participation of several classes and class fractions in political domination. According to Poulantzas, the power bloc should be understood as a

complex contradictory unity in dominance. It cannot be interpreted in terms of fusion because there are several classes and fractions of classes reflecting the fact that the capitalist social formation is formed by an overlapping of several modes of production. Therefore, the class struggle (the rivalry between the interests of social forces) is constantly present in the power bloc since these interests retain their specific character of antagonism. So, not a fusion but a contradictory unity of politically dominant classes and fractions is polarized under the protection of the hegemonic class or fraction (Poulantzas 1973: 229-239).

Poulantzas claims that the power bloc should be investigated on two different levels, i.e., the two levels of space constituting the power bloc. The first level of space is wider than the second one in the sense that the first one indicates the particular contradictory unity of the politically dominant classes or fractions of classes *as related to a particular form of the capitalist state.* The second level, on the other hand, indicates the particular contradictory unity of the politically dominant classes or fractions of classes *as related to the co-ordinates of class representation by the political parties*. The first concept of the power bloc is related to the capitalist formation in the stages of the mode of production, and the second concerns the rhythm specific to the political instances in the stages of the mode of production. Poulantzas differentiated these two conceptions only to the extent of saying that the former is related to the form of the state and the latter to the form of regime. From now on, I will, for the sake of clarity, call these respectively, the *social power bloc* and the *political power bloc*.

A clear conceptual distinction between the social and the political power bloc is important in the study of the relationship between the Korean state and monopoly capital, because it relates to the question of whether or not the chaebol was a

constituent part of the power bloc in Korea even after the 1997 economic financial crisis. With the distinction between the social and the political power bloc, a more sophisticated understanding is possible. In state monopoly capitalism, monopoly capital always occupies the hegemonic position in the social power bloc. However, because of the fluctuation of the political rhythm at the determinate conjuncture, monopoly capital is often excluded from the political scene and so isolated from the political power bloc. Therefore, monopoly capital is always a threatening factor against state unity as long as the state corresponds to the stage of state monopoly capitalism.

Throughout the period from the Park Jung Hee regime to the Kim Dae Jung regime, the chaebol was always the hegemonic class in the social power bloc. As long as the regimes corresponded to the social formation of state monopoly capitalism the chaebol could not be excluded from the social power bloc. However, the power of the chaebol fluctuated depending on the conjunctural political situation on the level of the regime. Although the chaebol was always an intrinsic factor in the formation of the social power bloc, its appearance as the form of the party organisation on the political scene, that is, in the political power bloc, had to be subject to the specific political situation. Depending on the state's political rhythm the political interests of the chaebol may or may not be reflected by political parties representing that class in the political power bloc. Therefore, it would be wrong to argue that the implementation of chaebol reform by the state was performed in the absence of the counter-offensive of the chaebol force because the chaebol had to retreat from the power bloc. It would be correct to argue that chaebol reform was implemented at the specific conjuncture where the presence of chaebol power was not clearly realised in the political power bloc in Korea after the 1997 crisis.

In studying the unity of the Kim Dae Jung state, I focus on the level of the form of the regime. In his book, *Political Power and Social Classes,* Poulantzas stressed that the variables affecting state unity on the level of the form of the regime are actually rooted in the relation between the state and the hegemonic class on the level of the form of the state. This resulted from his class reductionism. He does not give enough attention to 'real variables' affecting state unity on the level of the form of the regime.

In investigating the state unity of the Kim Dae Jung regime, I focus on those variables at the political scene within the political power bloc. I do not adhere to Poulantzas' argument that the political activities concerning the state unity in the power bloc should be traced back to the relation of the state and the hegemonic class or faction within the social power bloc. It should be understood that even if state unity is affected by the variables within the social power bloc, state unity is more subject to those variables rooted in the boundary of the political power bloc. Without this realisation, the study of Korean politics would be more or less vague and futile, falling into the trap of economic reductionism.[10]

I examine the unity of the Kim Dae Jung state on the double premise that state unity is itself the political unity of the political power bloc under a hegemonic group and that this political unity is revealed in the parliamentary organisation of the political parties. The unity of state power equals the political unity of the political power bloc under the hegemonic group. The unity of the political power bloc under the hegemonic group is the unity of the state power itself.

3.3.2 Traditional Form of State Unity in Korea: Majority Party Domination

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[10] It is important to note that in *Political Power and Social Class* and *State, Power and Socialism* Poulantzas reveals a tendency towards economic reductionism. In chapter seven, I trace the reductionist tendency in his structuralist idea regarding a mechanism of an economic system.

3.3.2.1 The Military Dictatorship and State Unity

The military coup of 16 May, 1961 organised a new configuration of the power bloc in Korea. The military group became the hegemonic political force taking state power from the civilian Chang Myon government. The coup heralded the opening of the era of the political dominance by the Kyoungsang province political forces. Marginalising other political forces within the power bloc, the military force established itself as the clear hegemonic political force by deploying the 'open form of repression'.

The consolidation of state unity was reflected in the executive domination over the parliament during the Park regime. The government and the Assembly were nothing other than a monolithic military power bloc which terminated the democratic principle of the separation of powers (of legislative, parliamentary power from executive power). After two years of military junta rule, Park Chung Hee was elected as the president in October 1963 and the Democratic Republican Party (DRP), organized by the 'military revolutionaries', came to control the political scene. They used the political party as a controlling machine in proportion with the principle of democracy. Deploying the party in this fashion, the military group could secure opportunities for control in a relatively more civilianised fashion than in military junta rule. The DRP succeeded in engineering narrow presidential election victories for Park Jung Hee in 1963, 1967, and 1971. The proportional representation system was an institutional guarantee to secure majority status for the party in the National Assembly. Due to this system, the ruling party could continue to dominate the National Assembly even though it achieved only a minority of total votes in 1963 (32 percent) and 1971(47.7 percent), with just over 50% in the 1967 general election.

On 17 October 1972, faced with the political instability triggered by the democratisation movement, Park Chung Hee proclaimed martial law, first suspending and then revising the constitution so as to concentrate all political power in his hands and maintain it without challenge. This introduction of the intensified authoritarianism, tantamount to a 'coup in office', was the Yushin (or 'revitalizing reform') system (Sohn 1989: 1). The major characteristics of the Yushin Constitution were: 1) presidential election by indirect election through the presidential electoral colleges; 2) the supreme authority of the president over the other two branches, the National Assembly and the Supreme Court; and 3) restructuring the ruling coalition by the rearrangement of the ruling party. Park established the Yushin Political Friendship Association to consolidate his power base. The members of the Association were appointed among bureaucrats, military, politicians, and intellectuals, by Park himself according to their loyalty to him (Kim 1988: 232).

To dominate parliament the military group introduced a radical measure to organise the configuration of the Assembly. Two-thirds, or 146 members, were to be chosen by universal, equal, direct and secret elections for six-year terms; while one-third (or 73 members) was to be elected by the National Conference for Unification (NCU) for three-year terms. The names of the Assembly members to be selected by the NCU were recommended by the President to the Conference. It was a de facto appointment of one-third of the National Assembly members (Wright 1975: 53; Sohn 1989: 46-47).

For example, in the 1973 general election, the ruling DRP obtained 73 out of the 146 seats. The opposition New Democratic Party (NDP) and the Democratic Unification Party achieved 52 and 2 respectively while the independent candidates obtained 19 seats. The number of 73 seats was not enough to dominate the Assembly.

But, since one-third of National Assemblymen were elected by the NCU on the recommendation of the president, the ruling camp had no difficulty securing a stable absolute majority. In the election of one-third of National Assembly members by the NCU, 2,251 out of total 2,359 delegates (96 per cent) concurred with the 'recommendation' of 73 candidates by the president (7 March 1973) (Sohn 1989: 47-48).

Military control continued even after the assassination of Park Jung Hee on 26 October, 1979. Following the assassination, democratization forces hoped to restore democracy in Korea in early 1980. But the dream was crushed by another military coup on 17 May, 1980. The death of President Park left an enormous power vacuum in Korean politics. The vacuum sent shock waves through the military, triggering an intense factional struggle between the old breed and the new breed of generals (Moon and Kang 1995: 174). Finally, the new faction of the military led by general Chun Doo Hwan snatched state power in a military coup on 12 December, 1979. Thus, the military forces could continue to preserve their hegemonic status in the power bloc.

From late November through December 1980, eighteen essentially government-created political parties appeared. The Democratic Justice Party (DJP) was formed to represent the new military hegemonic group in the Assembly and the other seventeen were opposition groups sedulously sliced into small pieces by the government knife (Henderson 1988: 38). In the first general election in 1981 since the military coup the DJP occupied 151 of the 276 National Assembly members. Although the DJP won only 35 percent of the votes, it was able to control 55 percent of the seats again through the proportional representation system. Of the 151 DJP members, 61 were delegates chosen in accordance with the system of proportional representation (Kim 1988: 261).

Due to repressive rule, democratization forces were gaining popular support. The invincible military hegemonic status began to be defied by the growing intensity of the democratisation movement. In the second election on 12 Feburary, 1985, the three opposition parties received 58 percent of the popular vote whereas the ruling party achieved only 35.4 percent. But, again the DJP managed to control a total of 148 seats (54 percent) of the 276 member National Assembly due to the proportional representation system. However, although the DJP secured the majority status, its strength was eroded as a result of the emergence of the New Korea Democratic Party (NKDP) as the first major opposition party in the Assembly. The NKDP won 29 percent of the total popular vote and 67 seats in the National Assembly, followed by a second opposition the Democratic Korea Party (DKP), which received a total of 35 National Assembly seats. The February 1985 general election provided an important step in the contemporary political development of South Korea, although the democratisation forces were still under the control of the hegemonic military group in the power bloc.

But the political unity of the power bloc was established under ruthless military hegemony over other political forces. The state unity held by the military was strong enough to suppress democratic political forces. The repressive military dictatorship did not permit a threatening political resistance.

3.3.2.2 The Restoration of State unity: the Case of the Three Party Merger in 1990.

It was not until June 1987, toward the end of Chun's rule, that opposition forces provided a turning point in changing the political landscape in Korea. In early 1987, the ruling military party, the DJP, elected Roh Tae Woo as the presidential candidate for the winter presidential election. It was evident that without a constitutional amendment, the leader of the military group, Roh Tae Woo, would

succeed the incumbent president Chun. The opposition camp demanded a constitutional amendment for a direct presidential election. Following the refusal of president Chun, massive popular protests were launched across the nation. Threatened by the immense democratisation force, Roh acknowledged that dramatic measures for political reform were needed to break the stalemate and to avoid a crisis of confrontation between the ruling party and the opposition forces. On 29 June 1987, Roh put his political career on the line and issued an eight-point proposal for democratic reform. His declaration of democratic reforms called for constitutional revision to provide for direct presidential elections, freedom of the press, and other extended protective measures for the civil rights of the citizenry (Kihl 1995: 116).

The proposal of Roh Tae Woo meant the complete acceptance of democratisation demands. Therefore, the best chance was given to the democratisation political forces to take state power in the presidential election in December 1987. The only remaining task of the opposition camps was to choose a single candidate for the election. The public demanded the leaders of the two mainstream democratisation forces to be united against Roh Tae Woo, the representative of the military hegemonic group. However, the democratisation forces faced a crisis due to the personal ambition of the two most influential democratic leaders: Kim Young Sam and Kim Dae Jung. Breaking from the main opposition party, the NKDP, both of them set up their own parties to secure their candidacy for the winter election. Kim Young Sam founded a new party, Reunification Democratic Party (RDP). Kim Dae Jung declared his intention of running for president and of founding a separate party, the Party for Peace and Democracy (PPD). Unless one of the two leaders withdrew from presidential race, the military group was to preserve its hegemonic status in the power bloc of Korea once more.

On 16 December 1987, the election was held and the military party candidate Roh Tae Woo emerged as the winner, with a plurality of only 36.6 percent of the votes, followed by Kim Young Sam and Kim Dae Jung with 28 percent and 27 percent, respectively. Kim Jong Pil, who was the former general of the old faction of the military group loyal to the former president Park Jung Hee, received 8.1 percent of the vote. The failure of the opposition camps to unite under one candidate delayed the advent of democracy in Korea. What is noticeable is that the election reflected the widening regional cleavage among the Korean population. The popularity rate of Roh Tae Woo in the Northern Kyoungsang province amounted to 70 percent, which is much higher than 36.6 percent of the overall rate across the nation. Kim Young Sam achieved 81 percent in the Southern Kyoungsang province even though he scored only overall 28 percent. The 91 percent Kim Dae Jung achieved in the Cholla provinces was striking compared to just 27 percent across the nation. The least popular candidate Kim Jong Pil gained 51 percent in his home province, Chungchung.

President Roh Tae Woo got off to a weak start. Even with a divided opposition he had received only 36.6 percent of the vote in the 1987 election. Moreover, in the thirteenth national assembly election, held in April 1988[11], the governing DJP won only 34 percent of the popular vote and only 125 seats, twenty-five fewer than the 150 needed for a clear majority. In comparison, the three opposition parties collectively held 164 seats. For the first time in the history of the republic the opposition held a majority of National Assembly seats.

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[11] The thirteenth National Assembly election in Korea (held in 1988) produced a four-party system. As in the presidential election in the previous year, this general election created the four-party system based on regional cleavage. This regionalism was materialised in the form of the party organisation in the Assembly. The four parties were the governing Democratic Justice party (DJP), the Reunification Democratic Party (RDP) led by Kim Young Sam, the Party for Peace and Democracy (PPD) led by Kim Dae Jung, and the New Democratic Republican Party (NDRP) of Kim Jong Pil.

This large opposition in the Assembly meant weak state unity for the Roh Tae Woo regime. The hegemonic military group soon began to clash with the non-hegemonic democratisation forces in the Assembly, and the distribution of seats in the Assembly caused political deadlock. For example, the ruling party could not get confirmation in the Assembly of the president's nominee for the Chief Justice of the Supreme Court (Kim 1997: 83-100). The swift passage of the bills in the Assembly and the monolithic solidarity between government and Assembly became impossible for the hegemonic group to achieve. Moreover, the use of political repression for state unity was no longer available to the military forces, because the democratisation forces had grown too strong to repress.

As early as summer 1988, leaders of the DJP began to call for a reorganization of the four party system. That is, the hegemonic group in the power bloc was searching for the political breakthrough *to achieve the political unity of the power bloc to restore the unity of state power*. The result was the appearance of a huge new ruling party by the merger of the three parties. On 22 January 1990, the heads of the three parties (Roh Tae Woo of the DJP, Kim Young Sam of the NDRP, and Kim Jong Pil of the RDP) announced the merger of their parties and founded the new ruling party, the Democratic Liberal Party (DLP). They created a two party structure in the Assembly leaving Kim Dae Jung, the head of the PPD, in opposition. Enemies of yesterday became comrades of today and friends of yesterday became foes of today.[12] There appeared a grand conservative coalition through this three party merger, opposed to the isolated PPD, which was pursuing the most liberal-oriented policies in

[12] The merger was puzzling in that the parties involved had basically different backgrounds. The governing DJP was founded by Chun Doo-hwan after his military coup in 1980. The RDP was led by Kim Young Sam, a democratisation leader. The NDRP's leader was Kim Jong Pil who was one of main figures of the old military faction crushed by Chun Doo Hwan in the 1980 military coup. When Chun took power, both Kim Young Sam and Kim Jong Pil suffered from Chun's rule. The merger contained many potential conflicts. The merger was analysed by rational choice theory, see Kim, H. M. 1997.

its party platform. The political unity of the power bloc could now produce the stable state unity of the Roh regime. The new massive ruling party composed of the three DJP- NDRP– RDP parties could control 215 seats which was fifteen more than the two-thirds majority necessary to change even the constitution. Also it resulted in a regional alliance between Kyoungsang provinces and Chungchung provinces. As electoral behaviour was based on regionalism in Korea, the alliance was an important factor to future victory in the coming elections. The hegemonic military group successfully polarised the interests of the non-hegemonic groups, achieving the unity of the power bloc.

Following the end of the Roh Tae Woo regime Kim Young Sam became the president of Korea in 1992. Overcoming internal competition, Kim Young Sam took over the presidential candidacy of the ruling party and succeeded to become the national leader. The political unity and regional alliance achieved by the three party merger was the major contributory factor to the successful preservation of the state power by Kim Young Sam, defeating Kim Dae Jung and Chung Ju Yung in the 1992 presidential election.

During his rule, however, the ruling party led by Kim Young Sam had to face defeat in the 1996 general election when it could not sustain its majority status in the Assembly. The defeat was due to internal factional conflicts. As the power struggle intensified in the LDP, Kim Jong Pil reluctantly left the ruling party and founded his own party, the United Liberal Democrats (ULD), in February 1995. The former political foes-Kim Young Sam and Kim Jong Pil, who were in the same ruling LDP, thus returned to their past relationship of antagonism. This separation meant that the regional unity of Kyoungsang region and Chungchung region was terminated. Thus, in the April 1996 general election, President Kim Young Sam's New Korea Party

(NKP)[13] failed to retain its majority, winning only 139 seats out of 299 total seats in the Assembly. The main opposition, the National Congress for New Politics (NCNP) headed by Kim Dae Jung, gained 79 seats. The minor opposition, the United Liberal Democrats (ULD) led by Kim Jong Pil, made an impressive showing, garnering fifty seats. Regionalism was pervasive again in the election and the ULD achieved absolute victory in nearly all constituencies across the Chungchung region. However, the governing NKP retained control of the new Assembly by recruiting some of the 16 independents and the smallest opposition Democratic Party's (DP) fifteen members.[14]

3.3.2.3 The Political Unity of the Non-hegemonic Forces: the DJP Coalition

It was evident that as long as the electoral behaviour of the Korean population is based on regional antagonism, Kim Dae Jung, representing the Cholla provinces, with a small number of population, could not take state power in the coming 1997 presidential election. It was the pathological aspect of regionalism in Korea that regardless of the qualification of a candidate as a national leader, the population of a region give full and blind support to whoever represents the region. Judging from the results of the two previous presidential elections in 1987 and 1992 it became clear that to take state power Kim Dae Jung must develop a radical strategy to get over the disadvantageous regional electoral biases.

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[13] Kim Young Sam's New Korea Party (NKP) was the successive name of his former party, the NDRP, and the National Congress for New Politics (NCNP) headed by Kim Dae Jung was the successive name of the PPD.

[14] It has been the usual practice in Korean politics that the minority ruling party recruits independents or members of the Assembly of other parties to obtain the majority status in the Assembly. One of the reasons is that the majority seats guarantee the passage of bills in the plenary session. It is not usually found that individual legislators in Korea often vote against the majority of their partisan colleagues. Party leaders generally hold the authority necessary to transform their membership into a cohesive voting bloc. For this reason, a party winning more than 50% of the available seats in a chamber can automatically translate its nominal control into effective control over floor decisions. For a better analysis of the conceptualization of parties in America as being undisciplined, see Smith 1997: 1042-1056.

As shown above, in the 1987 election the four leading presidential candidates performed exclusively well in their home provinces. The same pattern of regional voting appeared in the 1992 presidential election. In this election, Kim Young Sam appeared as the ruling party candidate following his nomination in the intra-party struggle against the military faction led by the incumbent president, Roh Tae Woo. He became President in 1992. Again the main contributor to the ruling party's victory was the electoral pattern based on regional antagonism. Although Kim achieved only 41% of overall support rate in the country, he scored 71% in his home province, the southern Kyoungsang province. Needless to say this progress in the region was based on the 1990 three party merger, which was in a sense a regional alliance. In Chungchung provinces, Kim Young Sam benefited from the party merger. He achieved 36% as compared to 19% in the 1987 election. Kim Dae Jung ranked second achieving 33% overall support. The new presidential candidate, Jung Ju Young, also benefited from the regional voting pattern. He scored 33% in his home province Kangwon as compared to overall 16% across the nation (NEC 2004a; 2004b).

Therefore, before the 1997 election it became imperative for Kim Dae Jung to adopt a strategy to get over the regional bias, and it was obvious that the most effective strategy was a regional alliance. The most promising partner was Kim Jong Pil who was the head of the United Liberal Democrats. Kim Jong Pil was waiting for the momentum to exert political revenge against Kim Young Sam since he was deserted by the president. Therefore, Kim Dae Jung and Kim Jong Pil shared a common ground to unite together even if their political unity seemed impossible to be formed. Kim Dae Jung was the leading democratization movement leader and he fought against the military dictatorship under the Park Jung Hee rule. Along with Park Jung Hee, Kim Jong Pil was the main figure in the 1961 military coup and became the

prime minister under Park. However, despite this fundamental difference, the political imperatives and personal vendetta ensured the negotiations for the political alliance.

The negotiations lasted nearly two years before agreement was reached. The two-party accord was consummated in an exclusive meeting between the two party leaders and the alliance was formally signed in a Kim Dae Jung-Kim Jong Pil meeting on 3 November 1997 (a month before the December presidential election), with their party key-post holders and lawmakers in attendance. Thus, they became political allies. Although this political unity (hereafter, "DJP coalition"[15]) was condemned as a "political conspiracy" by their political foes, it was significant in that the coalition became an unprecedented political unity in opposition party history. The coalition was the first alignment for political unity by non-hegemonic forces against the dominant hegemonic force holding state power in the power bloc of Korea.

Cementing the DJP coalition was Kim Jong Pil's promise to abandon his presidential candidacy and put Kim Dae Jung forward as the united candidate of the two parties. In return, Kim Dae Jung promised to support Kim Jong Pil's overture for the introduction of a parliamentary cabinet system by a constitutional amendment after they take state power in the coming election.[16] With election victory, Kim Dae Jung promised to work towards the constitutional change by the end of 1999 as a condition of Kim Jong Pil's support in the presidential election. The coalition plan also contained both immediate and far-reaching programs with a focus on power-sharing. The (bipartisan) deal was centred around power, rather than ideology. It was simply partisan machinations, i.e., a conspiracy aimed only at seizing power. This was

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[15] The alliance is generally referred to as the DJP coalition. It was named after the combination of DJ and JP, which are the initials of their names. In Korean newspapers, DJ refers to Kim Dae Jung, and JP to Kim Jong Pil.

[16] Kim Jong Pil had long advocated a constitutional change to establish a parliamentary system of government.

clearly manifested in the parties' draft agreement, which called for Kim Jong Pil's premiership under the Kim Dae Jung presidency; equal distribution of cabinet posts under a coalition government; and a guarantee of the ULD's right to choose between the presidency and premiership under a cabinet government following a constitutional revision. The two opposition parties were, therefore, launching a historic crusade to realise the first-ever power transfer from the ruling party to the opposition, and to campaign for the introduction of a cabinet form of government.

On 18 December 1997, the die was cast. The next morning Kim Dae Jung made his debut as the first president from the non-hegemonic group in the power bloc in the history of Korea.[17] The 72-year-old veteran opposition leader of the National Congress for New Politics became the president in his fourth attempt on running for the presidency.[18] Kim Dae Jung achieved 40.3 percent of the total votes taking a narrow lead away from Lee Hoi Chang of the ruling majority party, the Grand National Party, who scored 38.7 percent. Another major candidate, Rhee In Je of the New Party by the People, obtained 19.2 percent. It was apparent that Kim Dae Jung's victory resulted fundamentally from his regional alliance with Kim Jong Pil. Thanks to the alliance, Kim Dae Jung earned the unprecedented support of the Chungchong area, the power base of Kim Jong Pil. He won 45 percent support in Taejon city, 48 percent in South Chungchong province and 37.4 percent in North Chungchong

[17] In Japan, the Liberal Democratic Party (LDP) remained in government for four decades until it lost in 1993. In comparison with the Korean case, it is worth considering why the opposition parties in Japan failed to challenge the LDP dominance between 1955 and 1993. Stephen Johnson finds the answer by focusing on the shortcomings of the opposition parties, as opposed to the tendency to focus on the conservatives' strengths. See Johnson 2000.

[18] He challenged President Park Chung Hee in 1971. Soon thereafter Kim was forced to leave the political arena by the Park regime and went into exile overseas. After a military coup by then Gen. Chun Doo Hwan, he was sentenced to death. The sentence, however, was commuted. In 1987, he ran a second time for the presidency against Roh Tae Woo and opposition candidate Kim Young Sam. He took third place after winner Roh and the runner-up. Following another failure in his third race in 1992, when he lost to ruling party candidate Kim Young Sam, Kim announced his retirement from politics and went abroad. Yet he changed his mind and returned to politics in 1995, when he formed the opposition NCNP.

province. These figures are some 11-20 percent higher than those he won in the region in the previous presidential elections.

Apart from this alliance, there were two other causes of his victory: First, the collapse of the political unity of the hegemonic group. Lee Hoi Chang became a candidate for Kim Young Sam's New Korea Party (NKP) and just before the presidential election merged with the smallest opposition Democratic Party to establish the Grand National Party. Rhee In Je split away from Lee's ruling party after losing to Lee in the party nomination race and founded the New Party by the People. Considering that Kim only beat Lee Hoi Chang by a 1.6 percent margin, the division of the ruling party vote which deprived Lee of the Kyoungsang area votes was an important factor in Kim's victory. If it had not been for Rhee In Je (who left the ruling party), Kim would have lost. Second, the economic crisis which culminated in Korea's application for a bailout from the IMF boosted the chances of the opposition leader winning the election. Many middle-class people turned their backs on the ruling party and its candidate Lee Hoi Chang as a result of the economic downturn.

3.3.3 The Fragile State Unity of the Kim Dae Jung Regime

3.3.3.1 Divided Government

The 1997 election result meant the break-up of the traditional configuration of the power bloc in which the conservative political force, based on the Kyoungsang provinces, preserved the hegemonic status and monopolised the state apparatus for several decades. It also meant the end of the parliamentary organisation characterised by the dominant majority status of the ruling party. The break-up of the old configuration and the new formation of the parliamentary organisation resulted in the fragile state unity of the Kim Dae Jung regime. It was a divided government in that

the Kim Dae Jung regime was a minority force in parliament.[19] When the regime commenced, the ruling NCNP held only 78 seats of the total number of 299 seats in the Assembly.

This raised the possibility that the chaebol reform would not survive the parliamentary barrier. Although some[20] argue that divided government does not necessarily produce "gridlock," Kim Dae Jung's ruling party, with less than one-third of seats in the Assembly, would find it hard to pass any contentious bill without cooperation from the massive opposition party. Hence, the presence of divided government in Korea increased the possibility of a state of policy gridlock. For effective governance to occur, political parties must be both sufficiently strong and cohesive in each stage of the legislative process to allow them to overcome institutional barriers (Sundquist 1988).

3.3.3.2 Minority Coalition Government.

The fragile state unity of the Kim Dae Jung regime expressed in terms of a divided government was supposed to be strengthened by the DJP coalition. Coalition implies co-operation between political parties, and this co-operation can take place at one (or more) of three different levels – *governmental, parliamentary and electoral* (Bogdanor 1983: 3). However, even if the DJP coalition had been successful in the 1997 election, it remained questionable whether it was going to be effective at parliamentary and governmental level as well. The DJP coalition had too many fault

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[19] In the United States, if a single party does not control the Senate, the House, and the presidency, the government is considered divided (Thorson 1998).

[20] For example, David Mayhew argues that divided government does not have a substantial effect on the legislative process. But Sundquist claims that divided government was both inefficient and irresponsible. For more on divided government and uniform government, see Mayhew 1991; Sundquist 1988; Thorson 1998.

lines to overcome the weakness of the divided government of the Kim Dae Jung regime.

First, it must be noted that the number of the combined NCNP and ULD legislators was far short of a majority in the 299-member Assembly. The 78 NCNP and 43 ULD legislators together comprised only 121 seats, only 40% of the total 299 Assembly seats. The DJP coalition government was therefore at best a minority government. In a coalition agreement between the ULD and the NCNP, Kim Jong Pil agreed to occupy the premiership in the government after the victory of the election. But it was evident that Kim Jong Pil would face difficulties in obtaining parliamentary endorsement of his bid for the premiership if the majority opposition GNP opposed it.

Second, the DJP coalition was based on an agreement that was impossible to achieve. The two-party alliance was based on reaching a consensus on a constitutional amendment in favour of the cabinet system of government that Kim Jong Pil demanded. The two parties agreed to replace the current presidential system with a parliamentary government system before 2000, but, under the Constitution, proposals to change the government system required at least two thirds supporting in the National Assembly. Considering that the two parties had only 40% of the total 299 Assembly seats, inter-party bickering and wide-ranging political realignment were anticipated. A survey conducted by a local daily newspaper indicated that some 60 percent of lawmakers responded negatively to the possibility that the agreement between the NCNP and the ULD would be implemented (*Korea Herald* 24/12/1997). Even most NCNP legislators opposed it: It was an open secret that the NCNP only accepted the future constitutional amendment for the parliamentary system in order to elect Kim Dae Jung as president (by gaining electoral support in the Chungchung

provinces). Kim Dae Jung himself was not interested in the cabinet system from the beginning, but he did not rule it out, using it as a bargaining chip with Kim Jong Pil for the purpose of becoming the unified opposition candidate.

Third, fragility within the coalition was inevitable because the two parties were too diverse to stay together for very long. Indeed, they were the least related two political parties in terms of their ideological backgrounds. As mentioned earlier, Kim Jong Pil was one of the military generals who launched the 1961 military coup with Park Jung Hee and served as prime minister under the Park regime in the early 1970s. During the Park presidency, Kim Dae Jung had defied the military dictatorship as a democratisation leader. There thus existed a wide ideological difference between the two parties; Kim Jong Pil espoused the importance of anti-communism, national security and political stability, whereas Kim Dae Jung stressed liberal democracy, respect for individual rights and freedom, and achievement of mass welfare.

This ideological difference between the two parties was a serious threat to the stability of the coalition government. Ideology belongs to the parties' "heartland" – their natural domain on which they build their public support. To preserve party identity (and possibly party unity), political parties take strong stands on such issues, even if this means breaking alliances (Narud 1995: 19). The coalition was thus based on a fragile foundation, and its termination seemed inevitable. In sum, 'fragile state unity' came to constitute the *form* of the Kim Dae Jung state.

Conclusion

This chapter set out to define the specific *form* of the Kim Dae Jung state by conducting an empirical investigation and found that the specific *form* was constituted by 'exacerbated dependency' on the level of international economy; 'increased labour

power' on the level of the social formation; and 'fragile state unity' at the level of political struggle.

I found that in the wake of the 1997 financial crisis the Kim Dae Jung regime came to lose its economic sovereignty as the IMF imposed conditions for the overall restructuring of the national economy; a restrictive macroeconomic policy; financial sector restructuring, and other structural measures containing trade liberalization, capital account liberalization, corporate governance and corporate structure, and labour market reform. On the international level, the *form* of the Kim Dae Jung state was characterised by its 'exacerbated dependency' on the IMF and the World Bank.

On the level of social formation, the *form* of the state under Kim Dae Jung was defined by 'increased labour power' following the victory of the 1997 labour struggle. The financial crisis caused the demise of the bourgeois hegemony and this contributed to the upheaval of labour forces. The growth of labour power was materialised by the establishment of the tripartite committee. For the first time in Korean history the labour class secured a formal institutional position to participate in state management.

Finally, the *form* of the Kim Dae Jung state was constituted by 'fragile state unity' at the level of the political regime. The inauguration of Kim Dae Jung meant the break-up of the traditional configuration of the power bloc and the end of the traditional ruling party-domination in the National Assembly. The new regime was a divided government and an unstable coalition government. The coalition government had too many limits to overcome. The ideological difference between the two parties was a serious threat to the coalition government. The coalition was waiting for events to trigger its termination.

CHAPTER 4: STATE PROJECT AND THE LIMITS OF THE KIM DAE JUNG REGIME

Introduction

I have investigated that the *form* of the Kim Dae Jung state was constituted by 'exacerbated dependency'; 'increased labour power'; and 'fragile state unity'. The 'fragile state unity' (constituting the *form* of the state at the level of the political regime) could be overcome if Kim Dae Jung was able to demonstrate that 'politics is the art of possibility'. For this reason, Kim Dae Jung launched the 'state project' in order to achieve the consolidation of state unity. The state project was intended to overcome the binding political situation, i.e., the *form* of 'fragile state unity' which was expected to constrain state activities of the Kim Dae Jung regime. This chapter reviews the regime's state project and investigates whether/why it was a success or a failure.

4.1 State Project and the Periodisation of the Kim Dae Jung Regime

Earlier I revealed the plan of this study to investigate the *six aspects* of the Kim Dae Jung state within the framework of the *form* of the state (characterised by 'exacerbated dependency', 'increased labour power', and 'fragile state unity'): 'state intervention'; 'political representation'; 'internal organisation'; 'changing balance of class power'; 'state project'; and 'hegemonic project'. This chapter is mainly concerned with what Jessop termed 'state project' which defines the boundaries of the state system and endows it with a degree of internal unity. According to him, the state does not exist as a fully constituted, internally coherent, organizationally pure and operationally closed system but is an emergent, contradictory, hybrid and relatively open system. Thus, there can be no inherent substantive unity to the state *qua* institutional ensemble. The unity of the state must be created within the state system

itself through specific operational procedures, means of coordination and guiding purposes. The state projects imbue the state with relative institutional unity and facilitate its coherence with the wider society[1] (Jessop 1990: 346). The state project of the Kim Dae Jung regime was its political activities to consolidate state unity. In view of the *form* of state constituted by 'fragile state unity' state project was an imperative political task the Kim Dae jung regime must achieve in order to successfully implement economic and social reform packages.

Two points should be clarified. First, as in the previous chapter where I reviewed the state projects of the pre-Kim Dae Jung regimes, the state project of the Kim Dae Jung regime will be investigated on the premise that in Korea the main form of state project was 'political realignment' (or party reorganisation) which was initiated by the hegemonic political forces determined to realise the majority status in the National Assembly. In Korea, the political realignment was not only political tactic, but it was also efficient state project to achieve both the institutional unity of the state and the unity of the power bloc as a whole. The activities of the hegemonic forces to realise the parliamentary majority were Korea's 'specific operational procedures and means of coordination' to consolidate the unity of state power. I investigate the state project of the Kim Dae Jung regime by focusing on the activities of Kim Dae Jung's party to realise a majority status in the National Assembly.

Second, it needs to be clarified why 'state project' should be put as the first object of my investigation in this study, ahead of others such as 'state intervention', 'political representation', 'internal organisation', 'changing balance of class power',

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[1] 'State project' was entered as an explicit term in Jessop's state lexicon. Its essential theoretical function is to sensitize us to the inherent improbability of the existence of a unified state and to indicate the need to examine the structural and strategic factors which contribute to the existence of 'state effects'. The term could be easily understood with the notion of 'state effects'. To trace the germs of these terms, see Jessop 1990: 7-9.

and 'hegemonic project'. It is because state project can be efficiently studied in its relation to the periodisation of the five-year Kim Dae Jung regime, which is the other focus in this chapter.[2] I argue that there were two distinctive stages of the Kim Dae Jung state in terms of the variation of the unity of its state power. Although the stages could be divided in many terms, the discontinuity of the regime was clearly marked in terms of the changing degree of state unity which had a decisive relation with the course of state project. Thus, it is necessary to investigate the state project of the regime in parallel with the issue of the periodisation. The awareness of the periodisation, i.e., the discontinuity of the Kim Dae Jung state, can be a guiding thread through which to better understand the other five aspects of the state which will be investigated in the following chapters in this study.

4.1.1 The Preservation of State Power: the First Period of the Regime (1998 – mid-2000)

The first half of the regime was from the commencement of the regime to the April 2000 general election, the result of which indicated the failure of state project. This stage is identified with a period of an unstable preservation of 'fragile state unity'. During this period the Kim Dae Jung regime engaged in state project to consolidate the unity of the power bloc, with the IMF intervention as the main resource of state autonomy vis-à-vis social forces.

The victory of Kim Dae Jung in the 1997 presidential election was immediately clouded by widespread concern over his regime's feeble state autonomy. As seen earlier, the result of the 1997 election meant a break-up of the traditional configuration of the power bloc. It also meant the end of the country's traditional

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[2] Jessop periodised Thatcherism around the changing circumstances in which Thatcherite strategy was developed, specified and applied. He points out that there were three main periods of Thatcherism: (1) the rise of Thatcherism as a social movement (1968-79) (2) the period when Thatcherism was consolidated (1979-82) and (3) consolidated Thatcherism (1982 afterwards) (Jessop et al.1988b: 59-67).

parliamentary organisation characterised by the dominance of the majority status of a ruling party. The break-up of the configuration and the new formation of the parliamentary organisation meant fragile state unity for the Kim Dae Jung regime. The autonomy of the state was further weakened by a sharp upheaval of the labour force in the year of 1997. The growth of labour power was visualised by the formation of the Tripartite Committee. On 15 January, 1998 the Committee was formally established under the principle of the equal trilateral representation between government, business, and organised labour. Significantly, the long-abused Korean labour movement managed to establish a formal institutional position in the corporate system to participate in the decision making process affecting major industrial agendas.

Facing such difficulties, state managers strategically embraced the IMF imposition to compensate the crippling autonomy of the state. State autonomy of the Kim Dae Jung regime can not be explained without considering a strategic choice of the state managers taking advantage of external power. Indeed, the biggest contribution to the management of state unity of the regime in the first half of the rule came from foreign external power, i.e., the intervention of the IMF.[3] The internally embedded state autonomy of the Kim Dae Jung regime could get momentum to strengthen its autonomy vis-a-vis domestic forces by embracing the external imposition of the IMF. The regime was successful in preventing defiance from the opposition political and social forces by invoking a state of emergency in the wake of the national economic crisis. National popular projects could minimize the resistance of the people and frustrate class demands. The patriotism stirred up by the Kim Dae

[3] State autonomy must be conceptualised not only in terms of the relation of the state to internal classes but also in terms of its relation to foreign forces (Hamilton 1981: 309).

Jung regime was indeed the force of popular religion to mobilize the popular support and circumvent the opposition forces.

The regime was able to wield a strong form of state intervention to enforce the structural overhaul of the nation's economy. Market forces alone could not be enough to overhaul the national economy. Strong interventionist measures against Korean monopoly capital (the chaebol) were of such an unexpected intensity that the regime was real suspect in terms of its legitimacy as a democratic government. Although Kim Dae Jung enunciated the dual development of 'liberal democracy and market economy', his regime actually deployed strong state interventionism in the corporate restructuring policy. Korean capital criticized Kim Dae Jung for embracing 'a convenient authoritarian tool' stunting a blossom of the 'market economy' principle he had been espousing for his entire political career as a democracy movement leader. In relation to the Korean labour movement the Kim Dae Jung (neo-liberal) state displayed a ruthless attitude during the process of economic reform. Kim Dae Jung's readiness to embrace the IMF's conditionalities meant a sweeping neo-liberal attack on Korean labour. The ascendance of Korean labour power which was institutionally materialised in the foundation of KTC had to face a formidable international neo-liberal wave carried by the IMF to Korean shores.

The opposition party's acceptance that there is no choice but to comply with the IMF's conditionalities was an important factor in minimising the opposition towards the regime's economic policies. The strategy of invoking a state of emergency was effective not only in crushing the defiance of social forces but also in fending off offensives of the mighty opposition forces. The opposition party was not always generous to the minority government, but it made concessions when it came to the case where the issues of conflicts had direct implication regarding the destiny of

the country (Park, C. W. 2000). Indeed, the banner of 'saving the nation' was a sort of trump the regime used to show whenever it was confronted with serious political opposition. Riding a mighty tiger (the IMF), the regime was able to face the domestic political and social forces with a greater sense of determination (Sohn, H. C. 2000). The loss of external autonomy imposed by the IMF turned out to be, in a sense, an actual contributing factor to the preservation of the state unity of the regime. The external support was combined with state strategy of invoking 'national-popular patriotism' to compensate for the lack of state autonomy vis-à-vis powerful political and social forces in the first half of the Kim Dae Jung regime.

4.1.2 Crumbling State Power: the Second Half of the Regime (Mid-2000 to 2002)

Following the defeat in the April 2000 election, the regime found itself ushering in a new stage of frustration. The plummeting of state power accelerated with the departure of the IMF from the country. The government held the mandatory policy consultation meetings with the IMF on eleven occasions since it applied for the bailout loans in late 1997. The consultation agreement expired in December 2000 after the final instalment of the loans was infused into the country's economy. In August 2001 the country completed the repayment of the bailout loans of the IMF ahead of schedule, sending out a message that it made much progress in recovering from the 1997 financial crisis. This meant that the country regained foreign confidence by boosting its ability to make good on its foreign liabilities. Korea graduated from the IMF trusteeship and regained its economic sovereignty exactly three years and eight months after it turned to the IMF for the rescue package. [4]

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[4] Korea continued to replenish its foreign exchange reserves and stabilize financial markets as part of its efforts to emerge from the economic crisis. The foreign reserves reached $97.76 billion in December 2001 up from $8.87 billion in December 1997. The early reimbursement of the IMF loans put an end to the nation's recipient status in the global lending agency and the regime was supposed to no longer consult the IMF in setting the future economic policies.

However, the departure of the IMF was a turning point after which unity of state power began to crack. The sense of national crisis was waning. It inevitably entailed a situation where the vulnerable regime had to face huge resistance from domestic forces. The opposition forces compressed under the banner of 'save the country' began to actively resist the ruling regime.

This confrontation, which had been suppressed beneath the surface by national-popular patriotism during the period of national crisis, began to mount as the two main axes of political forces in Korea faced each other. The one axis was the progressive forces constituting the ruling MDP, the government, and the civic groups. And the other axis was the conservative forces composed of the major opposition GNP and three major conservative newspapers, which together account for 75 percent of the newspaper market. The three papers were holding a critical view of the Kim government's reconciliatory North Korea policy and chaebol reform programmes. The second half of the Kim Dae Jung regime started with the confrontation between these two political axes. The showdown was displayed in the two terrains of the tax probe on media companies and of ideological cleavage. With the external support gone and the internal weakness rising up, the ruling Kim Dae Jung regime noticed itself crumbling rapidly.

The changing *form* of the Kim Dae Jung state, i.e., the departure of the IMF and the upsurge of the powerful opposition forces against the regime, presented Korean classes with a contrasting 'structural selectivity of the state'. With the external pressure gone, the political alliance began to be strengthened again, between Korea's monopoly capital (the chaebol) and its traditional political supporter, the massive opposition GNP. The GNP was the parliamentary stronghold of monopoly capital.

The GNP began to oppose the government's restructuring economic policies, criticizing the government for trying to break apart the chaebol without considering the strengths of the chaebol system. The alliance became the most powerful variable which shaped the future course of the government's chaebol policies. However, contrary to the presumed implication of the IMF's departure for Korean capital, the departure (as we will seen in chapter 7) did not mean any optimistic structural change for Korean labour. In the first half of the regime, Korean labour suffered state repression intensified by the neo-liberal fires fanned by the IMF. The second half of the regime was another period of frustration for Korean labour. The opposition GNP was an old friend of Korean monopoly capital: the chaebol.

4.2 The Launch of the State Project in the First Half of the Regime

4.2.1 The Fragile Unity of State power and the First Cabinet

The majority status of a ruling party is important in that it can facilitate cohesion and unity, and hence effectiveness, to the government as a whole by linking the executive and legislative branches in a bond of common interest. The party makes it possible for the president to succeed in his indispensable role as leader and energizer of the governmental process (Sundquist 1988: 613-635). It is in this sense that we understand that the *form* of the Kim Dae Jung state (resulting from the lack of the majority status in the National Assembly) posed a significant threat to the unity of state power. The composition of the inaugural cabinet of the Kim Dae Jung government reflected the limits of the divided minority government. Although some authors highlight the positive aspects of those forms of government,[5] the inaugural

[5] James Sundquist first claimed that divided government is both inefficient and irresponsible. Since then, a consensus on divided government was that it is associated with bitter partisanship, poor governmental performance, policy incoherence, nondecisions, showdowns, standoffs, checkmate, stalemate, deadlock and gridlock (Krehbiel 1996: 9; Sundquist 1998: David W.Brady 1993: 189-194). But this consensus was not without its critics. The forerunner, who attacks the equation between divided government and weakness of government, was Mayhew, who concludes that divided

cabinet of the government heralded a rough political course for the Kim Dae Jung regime to follow. President Kim's divided government could not assume the semblance of a cooperative enterprise which is made possible when legislative and executive authority is unified (Cox and Kernell 1991).

State power taken by the Kim Dae Jung forces had to be shared with the old hegemonic forces, which were unexpectedly defeated in the 1997 presidential election but were still too powerful for the ruling regime to neglect. Although the democratisation political forces led by Kim Dae Jung became the new hegemonic forces in the power bloc, unity of the power bloc had to be sustained by courting old hegemonic forces. President Kim's designation of Kim Joong Kwon as his chief secretary was a good example of the limits of the regime. Kim Joong Kwon was one of leading figures who worked under the previous military authoritarian regimes. He had worked as the senior secretary for political affairs under the Roh Tae Woo government. This measure was aimed to dispel public concerns about political retaliation, which arose from the fact that Kim Dae Jung was the first president from the opposition party in Korea's history. He wanted to diffuse his lingering public image as a radical politician by taking a reconciliatory gesture, like Nelson Mandela, to embrace old enemies into his camp. He showed his commitment to disregard past political and government affiliations of candidates for major posts. It was also a sort of appeasement measure to the population in the Kyoungsang provinces, which boast the largest population in the country. The chief secretary came from North Kyongsang

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government produces very little if any change in the amount of significant legislation that is passed each year (Mayhew 1991). As regards minority government, Strom offers a new analysis running against the conventional wisdom about minority government. Minority governments are conventionally portrayed as poor performers. However, he tests the hypothesis that minority governments represent rational cabinet solutions and concludes that minority governments are clearly superior to majority coalitions and may enhance systemic responsiveness and accountability (Strom 1985).

province, where public sentiment against the President had been traditionally stronger than in other regions.

The government was also a coalition government. It meant that state power shared with the old hegemonic forces had to be divided once more within the coalition cabinet, which was to entail significant effects on the exercise of state power of the Kim Dae Jung forces. It was the first time the nation launched a coalition government under the presidential system. Under the slogan, 'small and efficient government,' the number of Cabinet members was reduced from 21 to 17. Out of the 17 Cabinet posts, the Kim Dae Jung faction, the ruling NCNP, controlled seven posts, while its coalition partner, the ULD led by Kim Jong Pil, occupied six posts. Four posts were occupied by non-politicians. They split the 17 Cabinet posts under a power sharing agreement.

However, it was in the parliamentary composition that the potential threat resided against the unity of the power bloc. Indeed, the majority status of the opposition GNP was the biggest obstacle which would block any political movement by the new regime. Let us examine the predicament of the regime by focusing on the inter-party haggling over the parliamentary approval of his coalition partner Kim Jong Pil as prime minister.

According to the coalition agreement between Kim Dae Jung and Kim Jong Pil prior to the presidential election, President Kim Dae Jung designated his coalition partner Kim Jong Pil as the first prime minister of their coalition government. A difficult question was how to get the consent of the National Assembly, dominated by the GNP, a formidable force of resistance against the parliamentary endorsement to the presidential appointment of Kim Jong Pil's premiership. The GNP opposition party opposed Kim Jong Pil as prime minister on the grounds that the country required a fresh and future-looking competent figure, preferably a specialist in

economics. The GNP argued that the appointment should meet the national aspirations that the new administration would lead the people through the bleak IMF programs (*Korea Herald* 15/02/1998). Thus, the parliamentary approval of the prime ministerial appointee emerged as a hot political issue because if the members of the GNP, which held 162 of the 295 Assembly seats, cast their ballots against the appointee, he was destined to be discredited.[6]

On the day of Kim Dae Jung's official inauguration (February 25, 1998), he must have felt it was a bleak political reality. On the day the National Assembly held a confirmation vote on the premiership (of Kim Jong Pil) when the incoming president swears in. The 295 lawmakers were supposed to cast their ballots in the afternoon following the presidential inauguration of Kim Dae Jung. However, the GNP boycotted the session. This measure was indeed to kill the nomination motion of the President. Thus, the special Assembly session was automatically adjourned because of a lack of a quorum. It meant that the new regime started without the make-up of the necessary government positions. The delay in the appointment of a prime minister made it impossible for the new head of state to appoint his cabinet members and entailed an administrative vacuum at the threshold of the new government, since, according to the constitution, the president was supposed to appoint ministers of the cabinet upon the recommendation of the prime minister. It was the first time that a new administration had started without a prime minister.

This failure was a massive blow to the new President. Threatened by the power vacuum, the President hinted that he would designate Kim Jong Pil as an acting prime minister, who would work in the government until the National Assembly endorses his appointment. The President wanted to give him the title of 'acting

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[6] The total number of Assemblymen was 299 but four had been expelled due to corruption or election fraud.

premier'. The GNP argued that it ran counter to the constitution because there was no regulation that allows for an acting prime minister. As public concern became serious over the absence of the administration, the GNP leader Cho Soon, bowing to public and political pressure, made the concession in a meeting with President Kim Dae Jung to end the boycott of the National Assembly and participate in voting on the presidential nomination for prime minister. However, on 4 April the showdown vote on the approval of Kim Jong Pil ended as rival parties clashed over the method of voting. Lawmakers from the rival parties started to vote on the nomination proposal when the Assembly opened a special session. But the voting was instantly interrupted by a brawl between rival lawmakers. Without a proper step in the Assembly, President Kim later went ahead with his controversial appointment of Kim Jong Pil as acting prime minister and named his first cabinet members, declaring that it was no longer a personal choice but a matter of life and death for the nation.

From his first day as President, Kim Dae Jung had to realise the dire reality surrounding him; who was the leader of a minority government. Due to the inter-party haggling over the parliamentary approval of his coalition partner, it took six days for the new President to form his inaugural Cabinet. It also took him six months (until August) for the GNP, yielding to public pressure, to normalize Parliamentary operations, abandoning the party line to veto the premiership of Kim Jong Pil (by deciding to finally comply with the confirmation). Finally, Kim Jong Pil was set to attain full authority as the head of the Cabinet some six months after his designation and the coalition ruling camp became free from its heaviest political burden since the inauguration of Kim Dae Jung's government. However, it was at the mercy of the GNP that the normalisation of the Assembly was finally restored, ending the long period of confrontation. It was for this reason that the coalition NCNP and ULD did

not waste time in launching state project to secure political stability soon after the inauguration of Kim Dae Jung. Otherwise, the *form* of 'fragile state unity' was to shackle state operations throughout Kim Dae Jung's rule.

4.2.2 The Unique Feature of 'Political Realignment' in Korea

Traditionally, the subject of political realignment (i.e., party reorganisation) has been studied with reference to its relationship with civil society (Mair 1994: 1-22). The reorganisation usually presupposes a shift of political support for certain parties following social or economic changes. It is regarded as the result of a change in voters' attitudes toward critical issues.[7] The realignment perspective was couched quite narrowly in terms of the partisan voting behaviour of the mass electorate, and, indeed, a major proportion of the empirical research on which the perspective is based was concerned with electoral behaviour (Clubb et al. 1980: 11). Later, political realignment came to be studied in a more diverse manner in the study of American politics, going beyond the focus on electoral behaviour. What is in common in those studies is that the political realignment was always treated as a dependent variable.[8]

In Korea, political realignment needs to be seen from a different angle. It is true that in Korea political realignment was expressed by changes in voting behaviour following radical social changes (e.g. in the wake of the democratisation movement).[9] But it was also obvious that a strategically launched political realignment played a

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[7] For example it occurred either swiftly in a serious crisis such as the Great Depression, or gradually through accumulating crises such as racial conflict in the United States since the mid-1960s (Hideo 2000).

[8] For example, James L. Sundquist highlights five variables that determine when, in what form, and on what scale a realignment takes place. They are the breadth and depth of the underlying grievance, the capacity of the proposed remedy to provoke resistance, the motivation and capacity of party leadership, the division of the polar forces between the parties, and the strength of the ties that bind voters to the existing parties (Sundquist 1983).

[9] Studies dealing with Korean voting patterns have been conducted in the context of testing the hypothesis that socio-economic modernisation promotes increases in mass communication and elevates educational standards, which in turn leads to raising the public's voting consciousness and sense of participation in the voting process (Ahn, Kil, and Kim 1988).

vital role in the variation of the political support for the parties. The party reorganisation initiated by political forces was a direct cause of the shift of political support from one party to another. Voters' support for a certain party changed according to whether the political realignment becomes a success or not.

The biggest factor to this phenomenon was indeed the voting pattern of the Korean population, which is traditionally based on regional cleavage (Kang 1998; Lee and Lee 2000). Political parties tried to align voters along the axis of regional difference (Park, S. H. 2000). This was evident in the success of the regional DJP coalition between Kim Dae Jung and Kim Jong Pil prior to the 1997 election. The alliance of the Cholla and Chungchung provinces was the main political factor to defeat the candidate from Kyoungsang provinces in the election. For the same reason, the political realignment on the level of parliament had a direct impact on how much popular support a party was able to attract. Voters' support varied according to the party's regional affiliation with a certain province, rather than to policy orientation or political identity. Therefore, the political realignment in which the Cholla-based NCNP successfully recruited the Kyoungsang-based GNP members meant a political encroachment to attract the political support in the traditionally hostile region to the NCNP. As long as Korean voters decide their political support along a regional axis, the effort of the political realignment by Korea's political parties could be one of the best methods of voter mobilization. It was here that the political realignment had its significance as one strategy of state project for the unity of state power.[10]

4.2.3 The Political Realignment: Offensive against the GNP

Although the Kim Dae Jung regime was overcoming its difficulties by relying on external support and by appealing to the patriotism of the population, the state

[10] For theoretical insight regarding the subject of party organisation in parliament, see Beyme 1983; 1985.

project was indispensable for the unity of the power bloc in order to efficiently perform state affairs. The experience of the regime in relation to the appointment of Kim Jong Pil indicated the imperatives to break away from structural weakness, the *form* of 'fragile state unity'. Political restructuring was felt to be urgent and even justified when the ruling party remained a minority force in the National Assembly. With 157 members of the majority opposition GNP and 79 of the ruling NCNP and 43 of its coalition ULD, the situation seemed to be ripe for a major change in the balance. Although some efforts were made to expand social support by relying on institutional reform[11] the traditional method of 'political reorganisation' was the main form of state project to achieve the unity of state power. On the front line was the ruling NCNP led by Kim Dae Jung.

One strategy of state project was the recruiting of opposition lawmakers. This started right after the inauguration of Kim Dae Jung. In April 1998, the ruling NCNP made public its intention to change the balance of power in the opposition-controlled parliament by openly recruiting opposition lawmakers. The ruling coalition began to work on opposition lawmakers to recruit them in the name of 'political restructuring,' or 'realignment,' for the sake of 'political stability of the country.' Soon after, the political circle witnessed the regrouping of politicians as five lawmakers of the majority opposition GNP left their party to join the ruling camp. With the five leaving their party, the number of the GNP Assembly seats dropped down to 152, threatening the majority status of the opposition party on the floor of the National Assembly. In

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[11] As part of the ruling party's efforts to make party inroads into the Kyongsang provinces (the political base of the GNP), Kim Dae Jung proposed to revise the existing parliamentary election system. It was a strategy of electoral arrangements. The key of the proposals was two revisions in the election law. One of them calls for the adoption of a new proportional representation system. The other concerned the introduction of a medium or large constituency electoral system in which a plurality of the lawmakers would be elected by popular vote. However, the GNP complained that the President had political motives for advancing his proposal. From the opposition's viewpoint, the proposals were no more than a scheme to encroach upon its territory. Faced with the opposition of the GNP the proposal could not avoid being aborted without further discussion between parties.

the next month the determination to realign was stressed by President Kim Dae Jung himself. He revealed that he would carry out a massive political realignment aimed at breaking the opposition's control of the National Assembly after the June 1998 local election (*Donga Ilbo* 15/05/1998).

Indeed, the local elections provided the ruling coalition with a great opportunity to upset the opposition-dominated Assembly. In the first popularity test for President Kim, the ruling coalition swept to victory in 10 out of 16 key local elections, including mayoral and gubernatorial seats in Seoul and its vicinities. Candidates of the two ruling parties also succeeded in occupying 113 of the 232 positions of lower-level administrators at stake in these elections. Meanwhile, the GNP took only 74. Particularly in Seoul, the two coalition parties' candidates won a crushing victory over their rivals (from the GNP) by taking 20 out of the contended 25 positions (*Donga Ilbo* 05/06/1998).

Encouraged by the result of the election, the NCNP revealed its intention that it would push for an intensified political realignment to seek a change in the opposition-controlled parliament, arguing that voters had given the party a mandate to promote political stability by a political reshuffle. The first target of the realignment was the acquisition of the tiny opposition New Party by the People (NPP), since the party was on the brink of collapse after suffering an almost complete defeat in the June local elections. On 30 August 1998, the NCNP and the NPP announced a merger. With this merger, the NCNP and its coalition partner ULD were to have a combined total of 145 parliamentary seats, just five short of a majority. The defection of the GNP members also continued, and by the end of the year the ruling coalition was able to hold 156 seats in the House, with the NCNP occupying 104 seats and the ULD holding 52. The GNP was down to 137 (*Donga IlBo* 17/11/1998).

4.2.4 The Political Realignment: the Attempt to Make a New Party

In addition to the strategy of recruiting opposition party members, state project was launched on an audacious scale: the foundation of a new political party. Kim Dae Jung and his party NCNP attempted to found a new ruling party, which was a grand project for the consolidation of the power bloc by incorporating prominent leaders in the non-political circles and also by putting an end to the unstable cohabitation with the coalition partner ULD by a complete merger of the two parties.

In an ambitious move to win the general election slated for April 2000, the NCNP revealed its plan of the political recruitment to attract promising young politicians and civic group leaders to expand the popular support base across the nation while casting off its image as a regional party based in the Cholla provinces.[12] In April 1999 the NCNP's acting president, Kim Young Bae, publically stated that "If necessary, the party will seek ways to change the party's name. The NCNP will press ahead with efforts to introduce a large number of fresh, young faces to revamp the party's image" (*Hankyoreh* 25/04/1999). And the NCNP embarked on what is called 'injecting fresh blood'[13] into the party organization, naming fifty business people as members of the party's ad hoc committee for economic affairs (*Hankyoreh* 28/04/1999).

Together with the plan to introduce a large number of fresh and young faces to the party, the NCNP revealed its bold project to merge with the ULD. However, it was uncertain whether the two parties could compromise over some tricky questions.

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[12] Political recruitment, a concept introduced by the structural-functional school, receives more or less extensive definition in the literature. Czudnowski defines it as 'the processes through which individuals or groups of individuals are inducted into active political roles' (Czudnowski 1976: 155). For more analysis, see Marvick 1976; Harasymiw 1984.

[13] In studying the political recruitment in Mexico, Roderic Ai Camp investigated age as a variable in political recruitment and argued it is a useful variable in understanding some significant patterns in political leadership (Camp 1995).

According to the NCNP-ULD agreement made prior to the 1997 presidential election, a constitutional revision for a Cabinet system of government was to be completed by the end of 1999 and the new system implemented by June 2000. Kim Dae Jung had signed the agreement in exchange for then ULD candidate Kim Jong Pil's withdrawal from the 1997 presidential election campaign and his entrance into a political alliance backing the NCNP candidate Kim Dae Jung. Therefore, it was essential for both to sort out this tricky agreement before the intended merger.

A breakthrough was made between Kim Dae Jung and Kim Jong Pil. In July 1999 they agreed to postpone the plan to seek the introduction of the parliamentary government system (*Joongang IlBo* 20/07/1999). Kim Jong Pil and his ULD made a drastic concession to Kim Dae Jung and the NCNP in postponing the agreed constitutional amendment to introduce a parliamentary cabinet system. Kim Jong Pil might have thought it was too early to threaten his political coalition with the ruling party by pressing President Kim into the corner.

Following agreement on the postponement, the expectation for a sweeping political realignment reached its peak. The political restructuring drive was centred on the two parties' merger towards the ultimate goal of launching a new nationwide ruling party. The NCNP considered a merger as a means of ensuring victory in the next general elections. The merger seemed to have a consensus in the ruling coalition. The realisation of a grand state project seemed achievable when the President's secretary of political affairs, Kim Jung Gil, said that the NCNP would become a 'super party' through recruitment of politicians, elites from all walks of life, leaders of civic groups, and young reform-minded figures (*Kukmin Ilbo* 23/07/1999).

However, state project (whose realisation seemed to be imminent) had to face intense counter-forces. Apart from some minor problems[14] the biggest obstacle came from political calculations of the ULD members over the result of the merger. Kim Jong Pil faced severe protests, especially from hardline ULD members from the Kyoungsang provinces. They opposed a possible merger of the two ruling coalition parties, since they would suffer serious setbacks in the general election should they run under the new party banner due to prevailing anti-President Kim Dae Jung sentiments in the region. Denouncing the breach of the two parties' original accord (i.e., the postponement of introducing a Cabinet system), the ULD members from the Chungchong provinces (the power base of Kim Jong Pil) also opposed the merger plan of their leader Kim Jong Pil. They called for a constitutional revision by the end of the year and the inauguration of a Cabinet system in July 2000.

The stalemate continued for several months. As President Kim Dae Jung was eager to achieve the merger with the ULD, he held a last-ditch effort to implement the merger in a meeting with Kim Jong Pil around the beginning of December 1999. As the speculation that the two parties would merge at last gained momentum, a group of ULD lawmakers took action to oppose it. This included petitioning to protest the merger, and some members from the Kyongsang provinces even declared that they would leave the party if the merger plan proceeded further. They threatened to walk out if the coalition partners agreed to become a single political entity, arguing that the merger would allow the minority conservative ULD party to be 'swallowed' by the ruling liberal NCNP (*Hankyoreh* 18/12/1999).

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[14] How to allot the major posts of the new party, including the party presidency, was a difficult problem. For example, the conditions attached by Kim Jong Pil was one of the problems to be solved. He demanded that he should be guaranteed the presidency of the new party, which the reform-minded NCNP members opposed.

The tension mounted within the ULD. This increased the possibility that the ULD might become divided or even completely dismantled because of internal differences over the proposed merger. In defiance of the merger moves, many ULD lawmakers from Kyongsang and Chungchong provinces took collective action. Kim Jong Pil was on the point of making a final decision. Given that 47 of the ULD's 55 lawmakers signed a petition calling for the end of discussions on the merger he had no choice. He stated flatly that "Anyone who brings up the merger issue should leave the party" (*Joongang Ilbo* 23/12/1999). At last, Kim Dae Jung and Kim Jong Pil agreed not to merge the two parties, vowing they would strengthen cooperative ties for the election, despite the agreement.

Thus, Kim Dae Jung's grand project to achieve the unity of the power bloc turned out to be a failure. He was desperate to achieve the merger ahead of April's general election. But the chance was gone. The NCNP started to brace for the forthcoming elections on their own. In January 2000, Kim Dae Jung and his minority political forces established a new party, the Millennium Democratic Party (MDP). The new ruling party was launched without drawing much public attention.

The failed attempt left the two parties alienated. The first day of the new ruling MDP witnessed possible signs of friction with the ULD because the new party, MDP, left unspecified the form of government in its policy platform. Based on the 1997 coalition agreement with the NCNP, the ULD demanded that the new party should include a parliamentary cabinet system as the future form of the government the MDP should seek to adopt.

Another sign of friction was that by election day the two parties failed to adopt the so-called 'combined nomination' system under which they would field joint

candidates instead of fighting with each other in the same electoral districts. This meant that the two parties would face difficulties in their attempt to win the election.

4.3 The Failure of State Project and the Crumbling State Unity (in the Second Half of the Regime)

4.3.1 The Result of the General Election

The April 2000 general election was a confidence vote for Kim Dae Jung. He had come to office two years before in the midst of a national economic crisis. However, the significance of the election lay more in whether or not Kim Dae Jung could consolidate a political foundation for his future state management by winning the general election. In other words, election victory was to be a political remedy for his structural weakness, i.e., the *form* of 'fragile state unity'.

The outcome of the election was a disappointment. The main opposition GNP preserved its first position in the National Assembly by winning 112 of the total 227 district polls. Along with the 21 proportional representation seats it won, the GNP secured 133 seats in the Assembly, slightly short of a majority. The ruling Kim Dae Jung party, MDP, won 96 constituency seats. Along with the 19 proportional representation seats, it achieved 115 seats. The two years' state project to achieve primary status in the National Assembly failed. The GNP won almost every seat in its southeastern power base (the Kyongsang provinces), while the ruling MDP swept the Cholla region in the southwest (*Donga Ilbo* 14/04/2000).

The ruling party's attempt to overcome the regional bias by launching 'political realignment' was a limited project. What is noticeable is that the ULD suffered a serious setback, unable to win the twenty seats required to form a floor negotiating group. The ULD, led by Kim Jong Pil, was the biggest loser in the elections. The party saw its fifty Assembly seats reduced to only seventeen. The ULD lost some districts in its stronghold in the central region of Chungchong province

(*Chosun Ilbo* 14/04/2000). An alliance of the ruling MDP and the ULD was to provide 132 seats, one less than the GNP. It fell short of attaining the 150 seats needed to form a parliamentary majority. The general election did not change actual parliamentary organisation.

The question was raised again of whether the governing MDP would attempt to recruit opposition members. However, the move to the political realignment lost its vitality. In response to the strong warning by the GNP leader Lee Hoi Chang that his party would not tolerate any such moves for the realignment, Kim Dae Jung replied that he would humbly honour the April 13 election result in which no party controls a majority. President Kim, in a meeting with Lee Hoi Chang, agreed that politics of dialogue and compromise should be maintained. The agreement was followed by the official announcement by the ruling MDP that it had no plan to reshape the political community artificially by recruiting opposition lawmakers (*Joongang Ilbo* 23/05/2000).

The ULD's serious setback in the election did not mean any shift of the power balance between the two coalition partners. The ruling party had no choice but to court the ULD's cooperation, despite the ULD's diminished status in the Assembly in the wake of its election defeat. The MDP thought it was necessary for the party eventually to join hands with the ULD for political stability. As long as the MDP remained as the minority floor force, its association with the ULD was an indispensable factor for parliamentary power for future social and economic reform policies. The cabinet stability in the coalition partnership with the ULD had a great importance for the stability of the Kim Dae Jung regime itself.[15] The MDP had to

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[15] Regarding the relation between cabinet durability (i.e. cabinet stability, and regime stability), Lijphart offers an interesting, but incorrect, analysis. He attacks the assumption that cabinet durability is a good indicator of the stability of the regime to argue that durability should be accepted as an indicator of executive dominance in executive-legislative relationships, but not as an indicator of

admit that the ULD was an important constituent of the stable unity of the regime and so their partnership should be restored at any cost. For them, the ULD's cooperation was essential to ensuring President Kim Dae Jung's smooth management of state affairs.

The low-key approach was obvious when President Kim Dae Jung requested Kim Jong Pil to recommend a new prime minister.[16] He courted the ULD for a restoration of coalition ties, which soured after the failure of the merger. The partnership between Kim Dae Jung and Kim Jong Pil was greatly damaged during the failed process of the party merger. The President wanted to name a prime minister from Kim Jong Pil's camp, and persuaded Kim Jong Pil himself to recommend someone for the administration's number two post. Later, President Kim Dae Jung appointed Lee Han Dong (recommended by Kim Jong Pil) as the prime minister; thus preserving his tenuous connection to the ULD coalition (*Joongang Ilbo* 23/05/2000).

In another move to court the ULD, a unique aspect of Korean politics was displayed. Three ruling party lawmakers bolted from the ruling MDP to help the ULD to form an independent negotiating group in the National Assembly. According to National Assembly law, only parties with more than twenty seats in the Assembly qualify to form a floor negotiation group. This meant that the ULD, whose seats were reduced from fifty to seventeen in the defeat of the early election, could not form a floor negotiation group. The MDP openly indicated that it supported the ULD's right to become a parliamentary negotiation group by revising the National Assembly Law.

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regime stability (Lijphart 1984: 163-166). He does not seem to realise that executive dominance in executive-legislative relationships is itself regime stability. Regime stability is proportionally maximised when the hegemonic forces in charge of the cabinet minimise the political opposition located in the parliament. It is for this reason that parties in charge of administration try to win elections to secure the dominant position in the parliament. The dominance of the executive means regime stability.

[16] Before the general election, Kim Jong Pil resigned as a prime minister to lead his party in the elections.

This meant that the ruling party would lower the minimum requirement for forming a floor negotiation group from the twenty as stipulated by the Assembly law. As such a move to revise the law was blocked by the GNP, the MDP took an unprecedented action and created public outrage over the bizarre practice of the political parties in Korea. Around the end of December 2000 three lawmakers from the ruling MDP defected to the ULD, which enabled the ULD to form an independent floor negotiating group.

By this move, the MDP wanted to promote a restoration of the alliance between the two parties, and consequently the two parties reformed their coalition partnership. The MDP needed the ULD's political support in the face of the main opposition GNP, which [taking advantage of its majority status] had floor power to thwart virtually every initiative by the ruling party in the National Assembly.

4.3.2 The Termination of the Coalition Partnership

Despite all the efforts to preserve an alliance with the ULD a critical moment came and the coalition partnership arrived at its final stage. The *form* of the 'fragile state unity' inevitably deteriorated. Due to the ideological incompatibility from the beginning of the partnership, the coalition durability was questionable. Thus, it seems that the 'tradition approach' which stresses structural 'determinants' such as ideological diversity of both coalition cabinets and parliamentary systems as the causes of the coalition dissolution has better theoretical relevance to explain the termination of the MDP-ULD coalition.[17]

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[17] There are three major approaches to the problem of coalition termination. The traditional approach (coalition-theoretic approach) focuses on broad party system variables that determine the general tendency of legislatures to produce durable cabinets. Such variables, however, are constant over the life of a cabinet and parliament and thus are of limited use in helping us understand why a cabinet falls at a given time (Axelrod 1970; Dodd 1974; 1976). Event approach follows that cabinet dissolutions result from generally unpredictable 'critical events' that arise during a government's lifetime. This approach presents an alternative model whose central element describes the dissolution of cabinets as determined by a stochastic process (Browne et al. 1984; 1986a; 1986b). The third approach considers both the occurrence of systemic and governmental properties, such as ideological diversity and majority status,

However, it should be noted that the coalition might have survived longer if there had not appeared a decisive and serious challenge to its continuing viability. The fact that the unpromising coalition enjoyed three years longevity justifies the argument that if there had not been a 'critical event' the coalition could have continued. For this reason, we find the 'events approach', which attributes the destruction of the viability of a cabinet to critical events, is also useful in explaining the end of the MDP-ULD coalition in Korea. It was a critical event in the vicissitudes of the political environment, not the structural difference that put a decisive end to the three years of unstable coalition between the parties.

An unexpected incident, which happened amid the tension between the two parties, turned out to be a terminal critical event[18] that led to the cabinet dissolution. The tension was developing around ideological cleavage in the wake of the historic summit meeting between the two South-North Korean leaders. For the first time since South and North separated following the 1950-1953 Korean War, Kim Dae Jung visited North Korea on 14 June 2000 and had a summit meeting with his North Korean counterpart Kim Jong Il. The five-point declaration[19] agreed between

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and at the same time allows for developments occurring during a government's lifetime, like the occurrence of random critical events to influence government duration (Narud 1995; Dodd 1984; Bogdanor 1983).

[18] Browne, Ferndreis and Gleiber who proposed the model of 'critical events' approach revealed their empirical study regarding the dissolution of Scandinavian governments. They delineate categories of critical events and apply the categorical schema of events to the dissolution of governments. Also on a conceptual level they distinguish between critical events of sufficient severity to induce a governmental dissolution (terminal critical events) from those events which do not bring about such a dissolution (non-terminal critical events) (Browne et al. 1986b).

[19] 1. The South and North have agreed to join hands to solve the question of national unification in an independent manner between us, who are the main parties. 2. Acknowledging that the South's ``Korea commonwealth unification formula" and the North's proposal of the ``loose form of confederation unification system" have similarities, the South and North decided to pursue unification in this direction. 3. In marking the August 15 (Liberation Day) this year (2000), the South and North decided to exchange delegations of separated families and relatives and seek to resolve humanitarian issues, including the problem of long-serving (North Korean) prisoners who have refused to convert. 4. The South and North decided to build up trust between each other by developing a national economy in a balanced manner through economic cooperation and by stimulating cooperation and exchanges in such various fields as society, culture, sports, health and the environment. 5. The South and North have

President Kim and North Korean leader Kim Jong Il was an epochal point in easing hostility and establishing peaceful relations between the two hostile governments. The most credit for the breakthrough was accorded to President Kim, as the summit was apparently the fruit of his 'Sunshine Policy' that he pursued persistently despite strong opposition from the conservatives.

However, despite the historic importance of the summit meeting, it deepened the internal feuding by widening the ideological cleavage in South Korea. From the conservative viewpoint North Korea was a totalitarian Stalinist state. The Kim Jong Il regime was not to be trusted. They thought the 'Sunshine Policy', i.e., the appeasement policy towards North Korea, was unrealistic fantasia. The conservative ULD was led by Kim Jong Pil, who fought in the Korean War. Therefore, the ideological cleavage between the parties was a great threat to the unity of the coalition. The ULD raised its voice against its coalition partner's appeasement policy to North Korea. The party members believed that the policy did not help the North Korean regime change its attitude of hostility toward the South.

This fragile coalition partnership was put to the test in August 2001 when part of a South Korean delegation attended a joint Liberation Day ceremony at a controversial venue in Pyongyang in North Korea. This incident incurred the wrath of South Korean conservatives. The South Korean government had allowed the delegation (composed of about 350 representatives from a variety of civic groups) to participate in the Pyongyang festival to commemorate the liberation from Japanese colonial rule in 1945. The government had lifted an earlier ban on participation in the Pyongyang festival when North Korea pledged to change the original venue, which was one of its ideological monuments. The delegates had also promised not to go near

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agreed to begin dialogue between the authorities of the two Koreas at the earliest date in order to implement the accord (*Korea Times* 16/06/2000).

the site. Both the Kim Dae Jung South Korean government and the delegates were afraid that they would be exploited by North Korea for propaganda purposes. Before their flight to Pyongyang, all the participants had signed a document that contained their pledge to avoid the controversial monument. However, some 150 of the delegates broke their promise and attended the ceremony at the monument, where the North proceeded with the opening ceremony[20] (*Chosun Ilbo* 16/08/2001).

The incident apparently cornered the Kim Dae Jung regime. The opposition GNP attacked the ruling regime for failing to prevent them from engaging in such an inappropriate violation (*Donga Ilbo* 16/08/2001). The opposition demanded the resignation of Unification Minister, Lim Dong Won, for his approval of a Korean civic delegation's visit to Pyongyang. However, President Kim Dae Jung expressed confidence in Lim Dong Won, the preacher of the troubled 'sunshine policy'. But, the conservative ULD, the coalition partner, expressed explicit support for the opposition GNP's demand that Lim be sacked. Kim Jong Pil insisted that Lim resign voluntarily over the pro-communist acts by some South Korean delegates (*Joongang Ilbo* 29/08/2001).[21] But President Kim repeatedly rejected calls for the replacement of Minister Lim. As an apparent warning to the MDP, the ULD made it clear that it could cooperate with the opposition GNP in political affairs. The remaining question, therefore, was who would blink first over the preservation of the coalition.

The alliance stood at a crucial crossroads. Neither showed any conciliatory signal in their ongoing political duel. It was because what was at stake was their

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[20] In the aftermath, seven delegation members were arrested on charges of violating the anti-communist National Security Law amid a dispute over their activities in the North, highlighting a grave ideological split between the conservatives and progressives in South Korea.

[21] With regard to the issue of Lim's resignation, the ideological division appeared again in South Korea. Conservatives (including the opposition Grand National Party) blamed Lim for permitting the delegates to visit Pyongyang. But many others, including leading civic groups, believed it was not Lim but the individuals who allegedly violated laws that should be held responsible for what they did in the North.

political life. The issue was fundamentally related to the identity of the parties. Both Kim Dae Jung and Kim Jong Pil could not avoid taking strong stands on that issue, even if it meant breaking the alliance. It was a question of cost and benefit: What do I lose if I break the alliance? And what do I gain? Alternatively, what is there to win by staying? And what is there to lose? (Narud 1995: 21). The two Kims' duel over Unification Minister Lim was pushing the alliance to breaking point.

In late August, the GNP submitted a no-confidence bill on Minister Lim to the National Assembly, saying that it would cooperate with the ULD to pass the dismissal bill at the National Assembly's plenary session. On 2 September 2001 the no-confidence vote was held in the National Assembly, ousting the embattled Unification Minister, Lim Dong Won, from the cabinet (*Hankyoreh* 04/09/2001). The passage of a parliamentary no-confidence vote ensured the termination of the three year coalition. The ULD's support for the opposition-led motion against Lim put an end to their political alliance.

The break-up of the parliamentary coalition was soon followed by the split of the governmental coalition. In September, Kim Dae Jung replaced five ministers; Hong Soon Young was named as new unification minister to replace Lim Dong Won. The four other vacancies, which had been occupied by the members from the ULD, were replaced by Kim Dae Jung's people.[22] The Kim Dae Jung government was a minimal winning cabinet. With the break-up of the coalition it became an undersized cabinet.[23] It is generally said that minimal winning status is a very powerful

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[22] Here, the criterion with which to judge the end of the Kim Dae Jung's coalition is the change in the parties composing the cabinet. There are other measurements of cabinet durability such as a change in its coalition status, a change of prime minister, a cabinet resignation, or a parliamentary election. Lijphart critically reviews the advantages and disadvantages of the different criteria, and compares the operational definitions of cabinet durability, using cabinet date for 20 democracies in the 1945-1980 period (Lijphart 1984a).

[23] Three types of cabinets are distinguished by Dodd: minimal winning, oversized, and undersized cabinets. A minimal winning cabinet is "a cabinet that contains sufficient parties to ensure a

independent influence on durability: even ideologically diverse coalitions that might be expected to experience internal dissension will last longer if they can not afford to lose a member-party without losing their majority. This was not the case in Korea (Warwick 1979: 465-498).

Although the possibility of the coalition's presumed destruction was helped along by conditions existing at the time of its formation, the uncontrolled critical event was the direct impact leading to the decisive dissolution. The 'tradition approach', or the deterministic model, cannot alone explain the end of the MDP-ULD coalition. The explanation could better be made by relying on the 'critical events' approach accounting of those elements that contribute to the ups and downs of a cabinet's vulnerability over its tenure.

4.3.3 The Internal Crisis of the MDP: Kim Dae Jung's Resignation of Party Leadership.

The *form* of 'fragile state unity' was seriously aggravated by the termination of the coalition, but it was not the end of the story. The crisis of state unity arrived at the point of 'no return'. A factional party conflict further disintegrated unity in the wake of the parliamentary by-elections.[24] Three parliamentary special elections were scheduled on 25 October. As an election strategy the GNP highlighted the corruptive aspect of the regime by making the most of a major corruption scandal that allegedly involved high-ranking government officials and politicians.

The result of the October 25 by-election was a massive blow to President Kim Dae Jung and the ruling MDP. The opposition GNP won all three parliamentary

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parliamentary majority, but that contains no party unnecessary to majority status". Oversized cabinets do contain one or more "unnecessary" parties, and undersized cabinets are synonymous with minority cabinets (Lijphart 1984b: 266).

[24] The best analysis of the faction concept is found in the work of Giovanni Sartori (Sartori 1976). For other overviews of the literature on faction, see Nicholson 1972; Zuckerman 1971.

special elections. The victory increased the number of GNP-held seats to 136, one seat short of a majority in the 273-seat Assembly (*Chosun Ilbo* 26/10/2001). Complete defeat in Seoul was an especially serious threat to the ruling party because election results there usually serve as the bellwether of prevailing public opinion. Moreover, the two constituencies in Seoul with large populations of workers and merchants had been more supportive of the governing party than any other district in the capital area. The result of the elections proved public disapproval of the ruling party.

The shameful defeat led to the intensification of a bitter internal strife in the MDP, with young reform-minded members and party old guards, represented by the hegemonic faction in the party, colliding head-on over how to reform the party. A group of progressive members called for the party leadership to take prompt measures to cope with negative public sentiment. Perceiving no prospects for the party (due to the alienation of the people), they demanded that the leadership undertake fundamental measures to reinvigorate the party and the government.[25] They proposed that the party leadership take action to crack down on those involved in various scandals and reshuffle party leaders and cabinet members. Some leading figures of the so-called '*Tonggyo-dong*' faction and the presidential secretarial staffs were the main target of the reforms demanded by junior and reform-minded members of the MDP.[26]

This was a conflict between the hegemonic 'Tonggyo-dong' faction and other factions of reform-minded party members. All the parties in Korea were characterized

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[25] Four factors have been cited as triggers of factional conflicts; the overall political context, together with perceptions of party prospects; membership of party families; the specific nature of internal political disputes; and the effectiveness of party management (Gillespie 1995).

[26] *Tonggyo-dong* is the district in western Seoul where the private house of the President was located. The faction was comprised of loyalists of President Kim Dae Jung. Following the humiliating defeat in the election, some fifty party lawmakers, mostly junior assemblymen, called for the ostracism of the President's top aides - Kwon Roh Kap, former member of the party's Supreme Council, and Park Jie Won, senior presidential secretary for policy planning (*Korea Times* 01/11/2001).

by factionalist tendencies. The factionalism, which entailed pathological aspects of personalism, clientelism and patronage, was so ubiquitous and integral to parties that it was an everyday aspect of party politics in Korea.[27]

As the hegemonic faction comprising the President's main supporters opposed the shake-up, the party headed toward breaking point in early November. In a new twist in the escalating strife in the ruling MDP, twelve members of the Supreme Council - the party's top decision-making body - resigned, leaving a power vacuum in the ruling party. [Invoking national anxiety, the party's factional feud speeded out of the control]. In response, the GNP leader, Lee Hoi Chang, demanded that president Kim Dae Jung give up his party presidency and form an emergency neutral cabinet to cope with the crisis and fairly manage the local and presidential elections in the following year 2003 (*Chosun Ilbo* 02/11/2001). He further claimed that the new cabinet should be filled with competent figures, who were trusted by the ruling and opposition parties, and the people, so it could properly deal with the crisis facing the nation. He added that the emergency cabinet should also ensure political neutrality so as to guarantee the fair management of next year's local and presidential elections (*Chosun Ilbo* 08/11/2001).

On 8 November 2001, President Kim Dae Jung, taking responsibility for the lack of public confidence demonstrated in the MDP's crushing defeat in the October 25 by-elections, announced his resignation as head of the ruling MDP at the party's Executive Committee session. He pledged to devote himself to state affairs and refrain from partisan matters, and urged the secretaries at the presidential office to stop intervening in politics and instead devote themselves to supra-partisan

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[27] An author approached the study of factionalism from different perspectives, seeing factions as less negative and more functional for political systems towards the end of the twentieth century. The approach was applied to the case of Spanish politics where two parties were created, each consisting of factions and a leader. Both played a positive role in the transition to democracy (Nieto 1995: 31-44).

cooperation (*Donga Ilbo* 08/11/2001). Thus, the beleaguered President became a lame duck earlier than expected. His quitting of the party presidency indicated an ebbing of his political influence over the party and meant no formal support of the ruling party for the Kim Dae Jung government.

4.3.4 The End of Kim Dae Jung's Leadership

The resignation of Kim Dae Jung was not the final mark to put an end to the collapse of the regime's stability. The regime had to endure a series of political setbacks making Kim Dae Jung finally leave the MDP.

On 27 April 2002, Roh Moo Hyun, a former human rights lawyer, won the ruling party's nomination for the coming presidential election in December 2002. A series of opinion polls put the reformist presidential candidate far ahead of the GNP's presidential candidate, Lee Hoi Chang. It was likely that Roh could be a successor to President Kim Dae Jung.[28] Although Kim Dae Jung and the MDP were not popular among the public, Roh Moo Hyun enjoyed high support with young and middle-aged voters who were fed up with politics tainted by corruption scandals, cronyism and regional favoritism. In an opinion poll conducted in April 2002 Roh, Moo Hyun won 39.6 percent against Lee's 37.3 percent in an imaginary two-way contest (*Joongang Ilbo* 18/03/2002). He was seen as a political messiah who could galvanize the MDP's second chance to create a head of state. For them Roh Moo Hyun was their saviour.

However, the situation deteriorated very quickly. Corruption charges against President Kim Dae Jung's two sons (for bribery and influence peddling) damaged Roh's popularity. This scandal engulfed the nation for several months and Roh, the candidate of the ruling party, had to watch his popularity plummet. It became evident that the MDP would face a serious defeat in the coming local election in June 2002,

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[28] Kim Dae Jung could not run for the 2002 presidential election. According to the Korean Constitution, an incumbent president is barred from seeking re-election after his single five-year term.

prior to the December presidential election. In a desperate effort to prevent further damage to the MDP, President Kim Dae Jung decided to end his affiliation with the ruling MDP in order not to inflict further negativity on the MDP and the party's presidential candidate, Roh Moo Hyun. He had renounced his party presidency in November 2001 to remain an ordinary party member amid a rebellion by young party members, and, after a few months, he eventually had to leave his party (*Hankook Ilbo* 05/05/2002). President Kim Dae Jung's departure from the MDP changed its status from the ruling party to the second largest party in the National Assembly. All the ambitious state projects, designed to achieve the unity of state power, were ending with the complete demolition of the internal unity of the MDP and the collapse of Kim Dae Jung's political life.

The crisis of the MDP and the misery of Kim Dae Jung did not stop here. Despite this drastic measure of the president to leave politics, the DMP faced humiliating defeat in the June 2002 local elections. The GNP won a landslide victory over the MDP. Voters overwhelmingly selected opposition candidates to head Seoul and Inchon cities as well as Kyonggi Province (where it had failed in the previous elections). In the wake of the elections, Lee Hoi Chang began to surpass Roh, the poll favourite since his election as the MDP presidential nominee in April, by more than 10 percentage points in opinion polls. In a two-way contest, Lee was backed by 41.4 percent of respondents, while 26.8 percent gave their support to Roh Moo Hyun (*Korea Times* 17/06/2002).

The GNP found that the best strategy to win the coming presidential election was to highlight the affiliation between Roh Moo Hyun and Kim Dae Jung. The party began to call Roh Moo Hyun 'Baby Kim Dae Jung'. The GNP dubbed Roh Moo Hyun 'Kim Dae Jung's political stepson' as part of its attempt to erode the Roh's

popular support. Unfortunately for Kim Dae Jung, Roh thereafter had to stress that he was his own man and did not intend to stay in the shadow of his 'political stepfather'. He criticized President Kim Dae Jung for losing control of state agencies. Although an attack on the 'Sunshine Policy' was regarded as an act of blasphemy to Kim Dae Jung, Roh Moo Hyun went on saying that "the 'Sunshine Policy' had reached its limits" (*Chosun Ilbo* 24/07/2002). As the presidential election neared he stepped up his attack on Kim Dae Jung for failing in the management of state affairs (*Chosun Ilbo* 31/10/2002).

Conclusion

This chapter found that the state project of the Kim Dae Jung regime was a failure. Kim Dae Jung did not demonstrate that 'politics is the art of possibility'. He succumbed to the *form* of 'fragile state unity'.

The strategy of state project was the recruiting of opposition lawmakers. In addition, a more audacious state project was launched: a foundation of a new political party. The state project was aimed at wining the April 2000 general election. But the election result was a disappointment. The main opposition GNP preserved its first position in the National Assembly. The ruling party's attempt to overcome the *form* of 'fragile state unity' was a limited project.

The cohabitation with the ULD ended up when the critical moment terminated the political alliance. The coalition with the ULD was the major political support that underpinned the Kim Dae Jung regime which was suffering from the *form* of 'fragile state unity'. Following the break-up of the coalition, the *form* of 'fragile state unity' deteriorated.

A series of political setbacks made Kim Dae Jung leave the MDP once and for all. Officially, the Kim Dae Jung government cut all political ties with any political

party. It became apparent that the state project, launched to compensate the *form* of 'fragile state unity', completely failed. All of this indicated that the *form* of 'fragile state unity' would remain a binding structure shackling state activities of the Kim Dae Jung regime.

CHAPTER 5: IMF PRESSURE, STATE STRATEGY AND STATE INTERVENTION

Introduction

In implementing chaebol reform policy, the Kim Dae Jung government's strong interventionist measures in the private sector ignited fierce controversy in the field of political economy. This controversy centred on an apparent contradiction between Kim Dae Jung's enunciation of the two main neo-liberal principles (liberal democracy and the market economy) and his policy of state interference with economic forces. Korean capitalists and opposition political parties criticised him for authoritarianism, which undermined the liberalism he had espoused for his entire political career as a leader of the democratisation movement.

This chapter explores state intervention of the Kim Dae Jung regime (implementing the chaebol reform) in the context of the *form* of the Kim Dae Jung state: an ensemble of 'exacerbated dependency', 'increased labour power', and 'fragile state unity'. I will argue that the authoritarian form of state intervention was rooted in the dialectical combination of the *form* of 'exacerbated dependency' and state strategy to capitalise on 'external dependency' to overcome the *form* of 'fragile state unity'. In other words, I will demonstrate that the intervention resulted from the combination of the IMF's direction and the active endorsement of the external direction by the local Korean government which intended to make best use of the external power to tame intractable domestic capital. In addition, I will argue that the intervention can be explained in the context of the determinate conjuncture to which the Kim Dae Jung regime, as the capitalist state, corresponded. Also, the internal organisation of the government will be reviewed in its relation to the chaebol reform policy.

5.1 Neo-liberalism, the Separation of the Political from the Economic, and the Question of State Intervention.

5.1.1 Neo-liberal Intellectual Tendency

Before I investigate the regime's state intervention, I need to touch first on the problem of the state's relation with the economy. It seems urgent to critically review the state's relation with the economy not only because the criticism levelled against the Kim Dae Jung regime's intervention takes issue directly with state intervention itself but also because the limits of the current study of state activity in relation to neo-liberalism is rooted in the confusion regarding the state's relation with the economy in capitalism.

I have to point out that in the current state debate in relation to neo-liberalism there exists a dominant intellectual tendency – that is, the tendency to see the state as opposed to the economy, with their relation being understood as a dichotomous one. This understanding has validated the argument that an overwhelming market power is replacing the role of the state in neo-liberalism. The relation between the state and the economy has become a zero-sum relation. It presupposes an absence of state intervention in neo-liberalism, making state intervention in neo-liberalism something unnatural.

This dichotomy is dominant in contemporary literatures. First is the case of state theorist. Jessop, in his study on Thatcherism, comments that "the existence of these programmes (by the Thatcher government) does reveal the state's importance in the transition to post-Fordism *even if in neo-liberal guise* (emphasis added) (Jessop 1988a:33). Again, he comments that "the boundaries of the state have been redrawn through growing privatization, (re)commodification, deregulation (and reregulation), and liberalization. This *has not removed state intervention so much as changed its*

forms in line with the transition to post- Fordism.....Moreover, notwithstanding the rhetoric of disengagement, *many of the older forms of intervention have been retained*, such as interference in nationalized industry pricing policies" (emphasis added) (Jessop 1989 :38). Jessop correctly recognised the presence of state intervention by the neo-liberal Thatcher regime. But he regards the intervention as unnatural, since the dichotomy leads him to consider state intervention by the government to be unnatural in neo-liberalism which is generally characterised by the dominance of the market system.

Second, this dichotomy has become a general characteristic of the global political economy. In *Production, Power, and World Order*, Robert W. Cox, contrasts two ideal types of society: state capitalism and hyperliberalism (referred to by others as 'neo-liberalism') (Cox 1987). Here, the criterion of this contrast is the conception of the dichotomy between the state and the economy. Again, in *Approaches to World Order*, the dichotomy becomes the basis of his identifying two competing ideologies which, according to him, will shape the future world economy. Cox argues that "the struggle between rival forms of capitalism (hyperliberal versus social market) in Europe may be critical in determining the balance of social and economic power in the global economy" (Cox 1996: 34).

The conception of dichotomy has become worse in the globalisation debate. Let us consider the mainstream non-Marxist view on this dichotomy. As the dichotomy divides the state and the market, the age of globalisation, often defined as unstoppable market force, is equated with the retreat of the state. For this reason, Susan Strange says that "state authority has leaked away, upwards, sideways, and downwards. In some matters, it seems even to have gone nowhere, just evaporated. The *realm* of anarchy in society and *economy* has become more extensive *as that of*

all kinds of authority has diminished" (emphasis added) (Strange 1995: 56). Strange seems to refer to evaporation of the state in terms of a nation state's declining central authority within the world system, which in my opinion is plausible. Nevertheless, it is assumed that her episteme is influenced by the dichotomy between the state and the market and she confirms, with a zero-sum relation in mind, that (as globalisation is the age of market economy) the state has retreated at the current conjuncture of capitalism.

As long as our studies are based on this dichotomy, we face difficulties in explaining the following questions. 1) As the Kim Dae Jung regime's commitment to the chaebol reform (i.e., the structural overhaul of the national economy) was supposed to require active state involvement, was its political rhetoric of 'market economy' a political gimmick? 2) Was state intervention of the Thatcher regime a violation of its rhetoric of 'disengagement'? 3) If the retreat of the state is a neo-liberal consensus, how should we interpret the current state role serving capital in neo-liberalism? Should we think that the state's service for capital is not the role of the state? 4) Should we expect the role of the state to be over one day? In other words, will the state's role be replaced by unstoppable market force in the future in an intensifying globalisation process because there exists a zero-sum relation between the state and the economy?

5.1.2 The Separation and State Intervention in Capitalism

The problem is the conception of the dichotomy between the state and the economy. The belief that state intervention is an intrinsic constituent in the capitalist mode of production is the best starting point to disperse all the confusion formed by the false image of the dichotomy. Unfortunately, to reach such a belief requires us to

repeat a tiring review of the capitalist form of the state, i.e., the form of the separation of the political from the economic in the capitalist relations of production.

The vicissitude of production history gave birth to a new formation of the relation between the political and the economic in capitalism. The fused relation between the political and the economic in feudalism transformed into two different separated forms in capitalism. In feudalism, the possession of the means of production by direct producers required the economic structure in which surplus labour had to be extracted by coercion because there was no direct economic mechanism to ensure the appropriation of surplus labour by the exploiting class. But, the capitalist production structure appeared as the pure economic structure in which the capitalist is able to extract the surplus value without political coercion. The deprivation of means of production in capitalism provides direct producers with the 'freedom to die' unless they want to sell their labour power in the market. This abstraction of relations of force from the immediate process of production constitutes the economic and the political as distinct, particularised forms in the capitalist mode of production. The instance of the political as separate from the economic is the general form of the capitalist state in the CMP, i.e., the capitalist type of the state. This conception of separation is an underlying foundation to spread the problematic tendency to confuse the state debate in relation to neo-liberalism. Although diverse interpretations of the separation have been presented in rigorous theorising effort ever since Marx's discovery of the separation, none has been so successful as to prevent the separation from being conceptualised as having a dichotomous character.

'Bringing-Poulantzas-back-in' suggests a theoretical clue to disperse the recent polemical confusion around the state debate in relation to neo-liberalisation and globalisation. Poulantzas argues that *the separation is nothing other than the*

capitalist form of the presence of the political in the constitution and reproduction of the relations of production (Poulantzas 1978: 19). He is saying that even if the separation is a very peculiar feature of the CMP, we have to understand that the separation is nothing other than a different form of the coexistence of the political and the economic in the capitalist relations of production. The mental function, which seems to work in a human brain separately, is an apt analogy. We cannot say that the separation presupposes the externality between a brain and other physical parts of a human body. Although it was on this conception of separation that Poulantzas based his trade mark 'the relative autonomy of the state', he was the very person who was afraid that the separation is understood as a dividing wall within the CMP. Stressing the totality of the mode of production, he argues, "Neither in pre-capitalist modes nor in capitalism has this space (the economy) ever formed a hermetically sealed level, capable of self-reproduction and possessing its own 'laws' of internal functioning. The political field of the State has always, in different forms, been present in the constitution and reproduction of the relations of production" (Poulantzas 1978: 17).

According to him, the misunderstanding of the separation between the political and the economic can lead to a wrong belief that the social totality is conceived in the form of instances or levels that are by nature or by essence autonomous from one another, and makes us regard an economic space as being intrinsically capable of reproducing itself. The reproduction of capital is not merely the circulation of the aggregate social capital, but also involves the reproduction of the political and ideological conditions under which this reproduction takes place (Poulantzas 1975: 97). It is within this line of reasoning that we are able to understand the unique feature of Asian capitalism. The so-called 'crony capitalism' (a specific mode of production at a determinate conjuncture) should be understood as the

resultant of 'overlapping' or 'mixture' of the different instances in capitalist mode of production. It should be noted that some elements in the non-economic instances in the CMP in Asian countries, for example, corruption, are integrated with elements in the economic instance to produce the social totality called 'crony capitalism'. If we think the instances composing the CMP are by nature or by essence autonomous from one another, then it is impossible to differentiate crony capitalism from Western capitalism. Therefore, it should be recognised that the separation does not presuppose a real externality between the state and the economy. The state constitutes the relations of production because the separation is at most a different form of the existence of the political in the capitalist relations of production. The separation is the (very) capitalist form of the state's presence in the constitution and reproduction of the relations of production. Thus, it is paradoxical to realise that despite the separation, state intervention in capitalism is as intrinsic as the fusion of the political with the economic in feudalism.

The state's omnipresence could be made more convincing by correcting a general misunderstanding about the liberal state in competitive capitalism. It has been said that a liberal state in competitive capitalism confines its role to maintaining and reproducing the 'general external conditions' of production. According to this line of argument, a liberal state did not intervene and the 'invisible hand' was a major underlying force to reproduce the mode of production in competitive capitalism. For example, Habermas thinks that the state has supplanted the market as the dominant steering mechanism in monopoly capitalism. Therefore, he argues that "the state apparatus (in monopoly capitalism) no longer, as in liberal capitalism, merely secures the general conditions of production, but is now actively engaged in it" (Habermas 1988: 36). But, on the basis of the firm belief that state intervention is intrinsic, it

should follow that the role of the liberal state remained so not because the market took a leading role on its own, but because the level of capitalist development during the period required that much intervention from the state.

Although Poulantzas occasionally implies this point with no concrete explanation (Poulantzas 1979: 99-100; 2000: 217), it is from the following that we can find his theoretical base. Poulantzas writes:

> By virtue of changes in the relations of production, the division of labour, the reproduction of labour-power, and the extraction of surplus value, a number of previously 'marginal' fields (training of labour-power, town planning, transport, health, the environment, etc.) are directly integrated, in an expanded and modified form, into the very space-process of the reproduction and valorisation of capital. Precisely to the extent that such integration takes place the state's role in these fields assumes a fresh meaning. *It is this transformation of the economic space-process which shifts the targets of state activity and brings the state increasingly to bear on the heart of the reproduction of capital* (emphasis added). In a parallel movement, the space of the state expands and changes to the extent that whole areas of the valorisation of capital and reproduction of labour power (the areas of public and nationalized capital, amongst others) are directly inserted in the State (Poulantzas 1978:167).

The course of capitalist development (i.e., the stages of competitive, monopoly, and state monopoly capitalism) is the process of the transformation of the economic space-process of the reproduction and valorisation of capital. Corresponding to an intensifying transformation during the course of capitalist development, the state has been changing its form from a liberal state to an interventionist state. A liberal state developed into an interventionist state, since an increasing transformation of the economic space-process required a corresponding role of the state to reproduce the mode of production. We should remember that the transformation is not the phenomenon which was activated at the end of competitive capitalism. The transformation was already happening in competitive capitalism requiring a corresponding level of political involvement, i.e., state intervention. Feeble state intervention in competitive capitalism was a corresponding form to the feeble level of transformation in competitive capitalism and must not be mistaken as evidence to

argue that the invisible hand of market was a necessary condition for the reproduction of a society. A liberal state could not be sealed from the transformation of the economic space-process, even if transformation was not distinctively visualised. In competitive capitalism there existed state intervention whose form was a rather feeble one because the transformation of the economic space-process did not require a strong form of state intervention. The market economy is an illusion in capitalism. In this sense Polanyi's observation is worth repeating. According to him, "Economic history reveals that the emergence of national markets was in no way the result of the gradual and spontaneous emancipation of the economic sphere from governmental control. On the contrary, the market has been the outcome of a conscious and often violent intervention on the part of government which imposed the market organization on society for noneconomic ends" (Polanyi 1957: 250).

Apart from the false image of dichotomy, there appears one more neo-liberal intellectual tendency which seems to dominate the current state debates. We try to confirm the retreat of the state on the grounds that there is no noticeable state intervention for labour in neo-liberalism. Undoubtedly, this error is committed by the misconception of the dichotomy, and it is also attributed to the tradition in which the welfare state in the Keynesian period intervened mostly for the working class in a western society. Thus, we see incorrect identifications; the powerful state and Keynesianism/the powerless state and neo-liberalism. Can we say that the state's service for capital is not the role of the state? It is ironic that the orthodox reductionism which saw the state as the capital instrument is now replaced by the same type of intellectual error of reducing the necessity of state intervention to the other side of the class nature of the state.

It is redundant to stress here that the capitalist state works not only for labour but also for capital. The retreat of the state should not be verified on the grounds that the state does not work on behalf of labour at the current conjuncture of capitalism. Let us recall that in the above paragraph Poulantzas is saying "the space of the state expands and changes to the extent that *whole areas of the valorisation of capital* and reproduction of labour power are directly inserted in the State." The ongoing tasks of the neo-liberal state (for example, liberalisation) are being performed to facilitate the valorisation of capital. This evidence is strong enough to counter the fallacious tendency to suppose the death of the state in neo-liberalism. The state is not dead in this neo-liberal period. It is not being replaced by an unstoppable market force. Rather it should be understood in the reverse way that the neo-liberal state is working rigorously for capital at the present conjuncture of capitalism.

Breaking with the current preponderant intellectual tendency thus provides a fresh new interpretation of state intervention and its weight in neo-liberalism. As students we need to stick to a theoretical precision in assessing the political rhetoric 'market economy' and 'disengagement' of the two neo-liberal regimes. According to the theory I align with, those political rhetorics ('disengagement' and 'market economy') were political gimmicks because state intervention is not something the two regimes could get rid of even in a neo-liberal conjuncture of capitalism. Non-state intervention is impossible as long as the two regimes are the capitalist state located in the capitalist mode of production. State intervention inevitably occurs *whether in neo-liberal guise, or in Keynesian guise*. The 'disengagement' rhetoric of the Thatcher regime should not have been understood via its promise on non-state intervention. Rather, it should have been understood through its intention to intervene on behalf of

British capital, regardless of whether it intended to do so or not.[1] For the same reason, the political slogan of 'market economy' of Kim Dae Jung was a political gimmick because it was a 'mission impossible' from the beginning.[2]

The rejection of the neo-liberal consensus enables us to approach the problem of a neo-liberal state in a more constructive way. The state has not retreated but is instead getting expansive by actively serving capital at this neo-liberal stage of capitalism. It is state intervention, not the unstoppable market forces, that propels the current capitalist development: state intervention on behalf of capital. Strange is incorrect in simply generalising the retreat of the state in globalisation. The measurement of state weight cannot be reduced to its central authority as a nation-state in a changing international political economy. She does not seem to realise that globalisation does not exhaust the fact that human history is the history of class struggle, that the state is a condensed expression of the ongoing class struggle, and so that state weight fluctuates according to the specific rhythm of class struggle between capital and labour in future capitalism. A nation-state is at most a variant of the state in the human history. It is wrong to confirm the death of a nation-state as the death of the state.[3] The retreat of the authority of a nation-state in globalisation defined as the

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[1] For the debate on the state-economy relation in Thatcherism, see Gamble 1989.

[2] However, generosity should be granted to a layman who does not mind a theoretical tenacity. It should be generously understood that by 'market economy' Kim Dae Jung referred to a new form of state intervention.

[3] The objection to globalisation seems to be a consensus among leftists. In my opinion their anxiety about globalisation can be fundamentally alleviated only when they come up with a new state theory with which they can comfortably accept the phenomena of globalisation and overcome the fear of the abandonment of the nation-state's welfare role which globalisation entails. The leftists should admit that globalisation diminishes the role of the nation-state. Instead, they must develop a theory to demonstrate that the welfare role of the nation-state can not be exhausted by the acceleration of globalisation because the welfare role is ensured by the future form of the state. In other words, a new theory has to prove the current nation-state is at most a variant of the state in human history. In this context, the problem of the EU can be productively investigated.

overcoming of time and space can be 'a received theory'. But the retreat of the state in globalisation defined as a specific stage of class struggle (which is neo-liberalism, i.e., a specific historical stage characterised by capital offensive) is a 'contested concept', not a 'received theory'. This idea is important as it allows us to anticipate that the current neo-liberal wave could be followed by what might be termed as 'neo-Keynesianism' in the future capitalism. Therefore, a more constructive question we need to address at this conjuncture of capitalism is not about the deluge of market force of neo-liberalism. Instead, it should be about what are the underlying driving forces shaping cyclical fluctuation of the state's class function (class nature) in capitalism.

5.2 The Form of State Intervention and the Economic Imperative of the Kim Dae Jung Regime

Within the invariable foundation of the presence of state intervention, state intervention transforms according to the changes of the elements of the economic and non-economic instances in a social formation. The form does not follow a linear direction in the history of state intervention, but rather it is a history of uneven development (Poulantzas 1978). As the form of state intervention has varied according to the stage and phase of capitalism, it changes according to a specific rhythm of the movement of the political and economic factors at a determinate conjuncture. Thus, instead of simply criticising the regime for violating the principle of 'market economy', it is necessary to investigate what was the specific conjuncture which led the Kim Dae Jung regime to deploy such a controversial form of state intervention in its corporate restructuring policy.

First, the interventionism wielded by the Kim Dae Jung regime could be understood in the context of the role of the capitalist state at a particular conjuncture.

By defining the chaebol reform we are able to understand what were the imperatives of the regime in its relations with Korean monopoly capital (the chaebol). The chaebol reform was *the Korean state's action to regulate individual capitals in order to enhance the valorisation of total national capital competing in the capitalist world market*. This definition concerns the aspect of the capitalist state as 'capital in general'. This is the matter of state regulation on individual capitals which provides a rationale for the Kim Dae Jung regime to intervene into the activities of the chaebol.

On 13 January, 1998, Kim Dae Jung met with heads of the largest chaebols and they agreed on major principles of chaebol reform. In the meeting, Kim and the heads of four leading chaebols of Samsung, Hyundai, SK and LG pledged to share the economic burden to tide the nation over its financial turmoil in line with the IMF bailout program (*Hankyoreh* 14/01/1998). The meeting signified that the state was going to play a central role in reconstructing the national economy in the wake of economic crisis. In the context of Marx's reference to 'capital in general', i.e., 'the capital of the whole society' made up of many individual capitals (Yaffe 1973:189), the Kim Dae Jung regime as the capitalist state can be understood as 'capital in general' assuming the responsibility for a stability of the whole society. It should be noted that the regime was mandated to regulate and limit the relations between individual capitals (the chaebol) because the inner nature of individual capital, i.e., competition, prevented the individual capitals from working for the average interest of the capital of the whole society. *The chaebol reform was the action of the Korean state as 'capital in general' free from inner nature, competition, in order to conduct a de-valorisation of some individual capitals for the whole society.*

The chaebol used to engage in overlapping and excessive investment in unnecessary and bleeding competition among domestic rivals. Undoubtedly their

failure to maintain financial soundness contributed to the national financial crisis in 1997. Despite their contribution to Korea's rapid economic growth in the past, the chaebol plunged the country into crisis through a tireless drive for expansion with borrowed finance. When Kim Dae Jung said "the chaebol, one of the culprits who caused our current economic predicament, should know that the methods they have widely practiced in the past will not work any more" (*Hankyoreh* 14/01/1998), it was implied that the state would assume a central role to regulate the chaebol in an active form of intervention in the future implementation of reform. Altvater mentioned that capital cannot itself produce through the actions of the many individual capitals the inherent social nature of its existence. The chaebol failed to regulate themselves in a reckless pursuit for surplus value through blind competition. They required a special institution that is not subject to its inner limitations. Following the national economic crisis, the Kim Dae Jung regime as the capitalist state was required to express the imperative function of the special institution that provides, on the undisputed basis of capital itself, the immanent necessities that capital neglects[4] (Altvater 1979: 41). Otherwise, whole sections of social capital have to die.

The urgent function was operationalised in the so-called "*Five Plus Three" principle.* In the first meeting between Kim Dae Jung and the heads of the chaebol groups the five principles were agreed; 1) enhancement of transparency in corporate governance 2) elimination of cross-loan guarantees (mutual payment guarantees) among affiliates[5] 3) improved financial structures[6] 4) concentration on core

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[4] In the same context, Marx analysed the Factory Acts. According to Marx, intervention was necessarily undertaken by the state because economic competition prevented the bourgeoisie as a class from adopting it 'spontaneously'. He thought that state intervention guarantees the long-term interests of capital in the long run. To know more the concepts of 'capital in general', 'many capitals', and 'individual capital' see (Marx 1976b: 427-430; Clarke 1978; Yaffe 1973; Altvater 1979; Rosdolsky 1974).

[5] Affiliates of a chaebol helped one another by guaranteeing their loans to gain easy access to bank loans. This old practice of cross-debt guarantees left the chaebols dangerously exposed to chain

businesses[7], and 5) tougher legal responsibility for management (MOFE 1998; Kim and Jang 2000). Later, these five principles were supplemented by another three principles revealed in the presidential speech at the 15 August 1999 Independence Day ceremony. In the speech, President Kim and his aides unveiled three new guidelines; restraints on chaebols' control of financial sector[8], a ban on cross-unit subsidies[9], and harsher punishment on chaebol owners' wealth donation to family (MOFE 1999b).[10]

The definition also concerns national competitiveness. The enhancement of international competitiveness was the hardcore of the chaebol reform. Kim Dae Jung demanded the chaebol to launch drastic restructuring programs, stressing that "Chaebol should take this opportunity to regain competitiveness to survive in the international world. For the future of the entire nation, they should be prepared to

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bankruptcies involving all subsidiaries of the same group. The chaebol was required to eliminate this cross-debt guarantees among group affiliates by March 2000.

[6] The chaebols were asked to reform their financial structure such as reduction of debt to equity ratio to 200 percent by the end of 1999. An agreement to improve the financial structure of the business sector was signed between creditor banks and the chaebol under governmental guidance, and the government closely monitored the process of financial restructuring. As a part of the effort, the government required the top thirty chaebols to produce combined financial statements that net out intra-group transactions, thereby producing a more complete picture of corporate health.

[7] The government pressed the top chaebols to engage in what is called 'Big Deals,' wherein they exchange subsidiary firms through mergers and acquisitions (M&A) among them as the focus of the industrial restructuring and realignment required under the IMF package. The government intended to get rid of overlapping and excessive investment resulting in unnecessary, bleeding competition among domestic rivals in order to concentrate on the promotion of a small number of crack and core companies with viable international competitiveness. These areas included heavy chemicals, information and telecommunications, special steel and automotive industries.

[8] This was to prevent the chaebol from controlling finance through their subsidiary financial companies. It aimed at restricting the chaebol's control of the non-banking financial sector.

[9] Affiliates of the chaebol supported their financially weaker sister companies. For example, a healthy subsidiary in a chaebol group frequently diverted its funds to a persistently money-losing sister company at the expense of its resources. This practice inevitably raised the possibility that the group as a whole would suffer a collapse. Indeed, many chaebols had collapsed by 1998.

[10] The inheritances and the transfer of wealth among chaebol family members were conducted in secret to evade tax responsibility. Several chaebol owners were suspected of having transferred their personal wealth to their children through illegal means to avoid high wealth transfer and gift taxes.

accept sacrifices before it is too late" (*Korea Times* 22/01/1998). Later he reaffirmed the importance of national competitiveness by saying that "the concentration of economic power in the chaebol is no longer accepted by the market. What matters now is not quantity but quality. To survive and thrive in a future world of unlimited competition, individual firms must be able to compete on their own against the world's best"(*Korea Herald* 16/08/1999). Altvater defines one of the functions of the state as 'safeguarding the existence and expansion of total national capital on the capitalist world market'(Altvater 1978:.42). Thus, despite the complexity of the measures revealed in *Five Plus Three principles* we are able to detect a continuous thread in those principles. *All the measures were ultimately intended to strengthen the nation's international competitiveness.*

The way that the state maintains, restores, or strengthens the various conditions necessary for capital accumulation varies according to a particular conjuncture and the intensity of state intervention could be differential depending on the type of strategy the state prefers. The so-called 'nation's competitiveness' presupposes an active involvement of the state in capital accumulation. Even in a stable situation of national economy, measures to increase 'competitiveness' necessarily involve more strengthened action of the state, including the political and ideological form of intervention. Given that the Kim Dae Jung regime was located at the critical conjuncture of capital accumulation, we see the possibility emerge that the chaebol reform was likely to entail the strong form of interventionism, since the crisis of capital accumulation promotes a state-guided approach to economic reorganization through intervention from outside and above market mechanisms (Jessop 1988a:12).

5.3 The Form of State Intervention, the IMF, and the Strategy of the Kim Dae Jung Regime

Let us investigate the controversial intervention of the regime in the context of the *form* of the Kim Dae Jung state.

The IMF conditionalities were of most importance to Korean economic policy after the 1997 economic collapse. For this reason, the form of state intervention of the regime could not be investigated without considering this powerful external variable. An attempt to investigate the form of state intervention in the international context is timely in the consideration of a new wave of international political economy.[11] The capitalist mode of production is characterized, in its extended reproduction, by a two-fold tendency: to reproduce itself within the social formation in which it takes root and establishes its dominance, and to expand outside of this formation (Poulantzas 1975: 42). Particularly, the latter is so distinctive in a globalising trend of the world economy that an ongoing feature of capitalist development seems to reveal a new imperialistic aspect of international relations.[12]

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[11] The new wave of international political economy, i.e., globalisation, is being investigated in various perspectives. The background to the September 11 incident was studied in relation to globalisation. Contrary to the general perspective that anticipates that globalisation integrates the world into a more or less harmonious whole, Michael Mann argues that "globalisation is not singular but multiple, and it disintegrates as well as integrating. It diffuses onto a world scale the unevenness and contradictions of the 'West and the 'North', and then adds to them those of the 'South' and of North-South relations. These mixed patterns mean that we are not, at present, moving toward a singular global society" (Mann 2001: 51-72)

[12] U.S. power has now become the centre of attention. Following Hardt and Negri's *Empire,* in which they highlight 'network power' of the American state, a series of works have been produced to investigate American dominance in the world (Hardt and Negri 2000). Martin Shaw's *Theory of the Global State* sees the 'global-Western state' under American hegemony as the best practical hope for enforcing human rights cosmopolitanism (Shaw 2000: 69; 2002). America is explained in the conception of 'neo-liberal cosmopolitanism', which, according to Peter Gowan, seeks to overcome the limits of national sovereignty by constructing a global order that will govern important political as well as economic aspects of both the internal and external behaviour of states (Gowan 2001: 79-94; 2003: 1-25). Michael Cox argues that the status of American Empire is not very novel in the context of the long history of the United States and shows that the roots of the 'new' American Empire are traced back to the very foundations of the republic itself (Cox 2003). Recently, some authors in *Socialist Register* emphasize the dominance of the American state over the European nation states. Panitch and Gindin are not happy with "the extent of the theoretically unselfconscious use of the term 'rivalry' to label the economic competition between the EU, Japan (or East Asia more broadly) and the United States." In a similar context, Aijaz Ahmad and Gregory Albo confirm American dominance over Europe (Panitch and Gindin 2003a; 2003b; Ahmad 2003; Albo 2003). Contrary to the consensus on the dominance of America, Alex Callinicos argues that the neo-imperialists are mistaken in claiming that an American-dominated 'international state' is in the process of constitution. According to Callinicos, "The world of imperialism, as it was portrayed by Lenin and Bukharin during the First World War – an anarchic

The role of the IMF became controversial in the wake of the Asian financial crisis. According to Thacker, "the multilateral institutions such as the IMF and the World Bank are quite sensitive to direct political pressures and influences from their more powerful member states"[13] (Thacker 1999:70). He argues that multilateral institutions modify the interests or constrain the behaviour of their member states and the more powerful states use these organizations as effective instruments of national foreign policy (Thacker 1999:39). The IMF, together with the World Bank, is in the front line to contribute to the expansion of a new type of imperialism which is being realised through the induced reproduction of the form of the dominant imperialist power within each national formation and its state[14] (Hoogvelt 1997; Jameson 2000; Panitch 2000b; Poulantzas 1975).

Korea's desperate need for foreign currency exposed the country to the opportunistic blow of major economic powers. The IMF conditionality was hammered out in talks between the IMF, the US Treasury and a number of large commercial banks and centres of finance capital in Japan and Europe. In January 1998, Lawrence Summers visited Korea and applied pressure for "deeper economic

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struggle of unequal rivals – still exists, with the United States as first among unequals" (Callinicos 2002: 319).

[13] Some strategies have been suggested to moderate American hegemony over the World Bank. See Wade 2001: 124-137.

[14] The close association between the United States and the IMF is usually explained in the context of the fact that the United States is the IMF's greatest financial supporter, with a quota – or "membership fee"- that accounts for roughly 18 percent of total IMF funds. Another explanation is made by Robert Wade who highlights that "the vast majority of Bank economists, whatever their nationalities, have a postgraduate qualification from a North American university. And there are many subtle ways in which the Bank's location (in the heart of Washington D.C. just a few blocks from the White House, Treasury and Washington think-tanks) helps contribute to the way in which American premises structure the very mindset of most Bank staff, who read American newspapers, watch American TV and use American English as their lingua franca" (Wade 2001: 124-137). This argument reminds us of the Miliband-Poulantzas debate regarding the class nature of the capitalist state. As globalisation facilitates a condensed formation of the world capitalist system, it is worth investigating if there is an 'objective relation' between the IMF and the role of American state. On understanding an 'objective relation', see Chapter seven.

reforms" and reassurances that Korea would abide by the terms of the IMF US$57 billion bailout package (McFarlane 2001:230). The IMF imposed the overall restructuring of the national economy; restrictive macroeconomic policy, financial sector restructuring, and other structural measures containing trade liberalization, capital account liberalization, corporate governance and corporate structure, and labour market reform. The Korean state lost its economic sovereignty, and therefore 'exacerbated dependency' came to constitute the *form* of the Kim Dae Jung state from then onwards.

The structural change of the country's economy that the IMF imposed required a strong, even aggressive, form of intervention in its economic affairs. Market force was not a sufficiently necessary condition to overhaul a national economy, and so the scope of interventionist and *dirigiste* methods was likely to expand.[15] In the case that a debtor country follows faithfully the direction of the IMF program there likely appears a powerful form of state intervention by the government of a debtor country during the process of establishing what the international agency demands. In retrospect, the rhetoric of 'market economy' of the Kim Dae Jung regime was a groundless slogan from the beginning, since Kim Dae Jung fully pledged to conform to the IMF's approach requiring the structural overhaul of the country's economy.

However, it should be noted that without the active endorsement of the IMF conditionalities by the local country the IMF imposition cannot be transformed into the form of interventionism. The interventionism manifested by the Kim regime should not be entirely attributed to the external pressure of the IMF. The structural

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[15] In this sense, the political instability of a debtor country has some relation to IMF conditionality. Contrary to those who point out the connection between the IMF conditionality and the political instability of debtor countries, Sidell argues that there is no clear evidence (Sidell 1988).

overhaul of the national economy imposed by the IMF would not have been initiated without the political determination of the Kim Dae Jung regime.[16] Kim Dae Jung's economy visions were analogous to those principles which the IMF tries to spread across the globe.[17] This was indeed one of the reasons Kim Dae Jung gladly accepted the IMF imposition, as opposed to the case of the Malaysian Prime Minister, Mahathir Mohamad, who was an outspoken critic of the IMF conditionality. Nevertheless, the best explanation for Kim Dae Jung's being the best IMF man can be explained in the context of his regime's political predicament following the 1997 presidential election. In other words, Kim Dae Jung, faced with the *form* of 'fragile state unity', had to strategically embrace the *form* of 'exacerbated dependency'.

We need to recall the fact that the regime suffered a serious political constraint, which I reviewed in the previous chapters in this study. The victory of Kim Dae Jung in 1997 presidential election was immediately clouded by a widespread concern over his regime's capability as to whether or not it could drastically reform the chaebol in the face of the mighty Korean monopoly capital. The concern stemmed from the observation that the autonomy of the state appeared seriously impaired by the fragile unity of state power.

The 1997 election result meant a break-up of the traditional configuration of the power bloc in which the conservative and Kyoungsang provinces-based political forces preserved the hegemonic status for nearly fifty years since the foundation of the country. It also meant the end of the country's traditional parliamentary organisation characterised by the dominance of the majority status of a ruling party.

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[16] For more on relations between the IMF conditionality and the political role of the IMF club countries in Latin America, see Kofas 1997; 2001.

[17] Kim Dae Jung was often called the 'IMF's man in Seoul'. See Cumings, B 1998. One of the reasons why Kim Dae Jung could be best man for the IMF was that he was the precursor of the neo-liberal principle analogous to those of the IMF. See Kim Dae Jung 1985.

The break-up of the configuration and the new formation of the parliamentary organisation indicated the fragile state unity of Kim Dae Jung regime. As seen in chapter three, it was institutionally materialised as the form of the divided government. The status of the divided government had a direct relation to the possibility that the chaebol reform was going to face the parliamentary barrier in confrontation with the massive opposition party which was pro-chaebol political forces. The regime's fragile unity (expressed as the form of the divided government) was supposed to be strengthened by the DJP coalition, which was the basis of Kim Dae Jung's 1997 election victory. However, there existed a wide ideological difference between the two parties. The coalition was based on a fragile foundation and the Kim Dae Jung regime was not armed with the robust autonomy necessary to deal with the chaebol that had the political support from the conservative political forces.

The autonomy of the state was further weakened by a sharp upheaval of labour force in 1997. The regime was located at a historical conjuncture in which even if it secured a great deal of freedom from the constraint of the capitalist class after the 1997 economic collapse, its autonomy was severely hampered by the fragile unity of state power and the sharp increase of labour power following a labour victory in the political struggle of Spring 1997. Around the inception of the Kim Dae Jung regime, Korean labour was holding such strong political power that it became a decisive factor to whether Kim Dae Jung's – and the IMF's – reform program would succeed or not in the coming year.

Facing such difficulties, state managers strategically embraced the IMF imposition to compensate the crippling autonomy of the state. State autonomy must be conceptualised not only in terms of the relation of the state to internal classes but also in terms of its relation to foreign forces (Hamilton 1981: 309). The internally

embedded state autonomy of the Kim Dae Jung regime could gain momentum to strengthen its autonomy *vis-a-vis* domestic forces by embracing the external imposition of the IMF. Therefore, state autonomy and the form of the intervention of the Kim Dae Jung regime cannot be explained without considering a strategic choice of the state managers taking advantage of external power. With a mighty tiger (the IMF) behind its back the regime was able to confront domestic political and social forces. The lack of an external autonomy by the IMF conditionalities turned out to be, in a sense, a contributing factor to the implementation of the chaebol reform.

With this strategy the regime could get over the first obstacle in the way of the chaebol reform. The strategy was effective in handling the mighty labour force of Korea. As the new legislation allowing the immediate lay-offs was one of the key conditions imposed by the IMF, the revision of the law became an urgent agenda of the tripartite committee. The government demanded that labour accept the abandonment of the two year moratorium on redundancy dismissals, which was the achievement of Korea labour unions' victory in the spring of 1997. Kim Dae Jung, referring to the IMF conditionality, stressed that the legalization of lay-offs was indispensable to overcome the national crisis; that is, the state was asking labour to accept reversal of a key gain made in the national strike under the previous regime in order to overcome the financial crisis (Gills and Gills 1999a: 23). In early February 1998, the lay-off legislation was finally accepted by labour. The following sections demonstrate that the controversial form of state intervention (in the chaebol reform process) resulted from a dialectical combination of the *form* 'exacerbated dependency' and the Kim Dae Jung regime's strategy to utilise the external dependency to overcome the *form* 'fragile state unity'.

5.4 The Chaebol Reform and the Symbiosis of the International Agencies and a Nation State.

5.4.1 The IMF, the World Bank, and the Dependency of the Korean Government

In the midst of the Asian crisis a 'Letter of Intent of the Republic of Korea' was delivered to Michel Camdessus, Managing Director of International Monetary Fund, on 3 December, 1997 (IMF 1997a). The letter requested IMF support for an immediate rescue fund and the future economic stablisation and reform program, outlining the policies that Korea intended to implement in the context of its request for financial support. On 4 December, just a day after the delivery, as if to indicate that the policies had already been arranged between the two sides, the Executive Board of the IMF approved Korea's request for a three-year stand-by credit equivalent to SDR 15.5 billion (about US$21 billion) in support of the government's economic and financial program. Of the total, SDR 4.1 billion became available immediately and subsequent disbursements were to be made available subject to the attainment of performance targets. It soon followed that the World Bank and Asian Development Bank decided to disburse US$3 billion and US$2 billion respectively, in support of the Korean government's financial sector restructuring and other structural reforms. From that time on, Korean economic policy was going to be under the supervision of the international lending organisations for a period of several years.

On the basis of the framework agreed with the IMF, the Kim Dae Jung government set out the corporate restructuring implementation. Initially, the slogan 'market economy' was a guiding principle in the design and implementation of the chaebol reform. Direct state intervention was thought to violate the principle of market economy and, therefore, the government emphasised that the form of intervention should be an indirect mechanism in which credit banks play an active role in processing the corporate restructuring policy. However, it did not take long before the rhetoric 'market economy' became a stumbling block on the way to a swift

fulfilment of the necessary measures for a national economy. The government faced a dilemma that, on the one hand, it needed a rather drastic form of state intervention to execute structural change, but it must, on the other hand, stick to the principle of 'market economy' which was the important part of the regime's legitimacy.

In spring 1998, the government heightened its calls for the top five chaebols to engage in what is called 'Big Deals', wherein they exchange subsidiary firms through mergers and acquisitions (M&A). For the government, Big Deals were the essential point of the industrial restructuring. However, the drive to reform the nation's conglomerates began to face rising criticism, especially from business leaders. Despite the agreement on the five principles made between Kim Dae Jung and the business leaders, chaebol leaders had been dragging their feet on the grounds that the accord involved too much difficulty. Particularly with regard to Big Deals, they claimed that any outside intervention by the government or political parties should be precluded under the principles of a free market economy; and that a forced property movement is a 'socialist conception' incompatible with a free economy (*Hankyoreh* 24/03/1998). Faced with capital's counter attack, the government and the ruling party politicians took a step back and promised not to violate any market mechanism so that free market forces would decide the future course of corporate restructuring. The Big Deals issue then submerged under the surface of further debate in political circle.

In spite of practical difficulties, the 'market economy' was a governing principle in the chaebol reform process. President Kim Dae Jung stressed that the owners of the top domestic corporations had to carry out restructuring programs through their own initiatives. Also, in the Letter of Intent delivered to the IMF on May 1998, the government reaffirmed its commitment to the principle of 'market economy' ensuring that corporate restructuring would be voluntary and based on

market principles. In the letter, the government revealed the guiding principle as follows; 1) All corporate restructuring should be voluntary (i.e., *not government directed*) *and market oriented.* 2) Public funds will not be used to bail out corporations. 3) Banks will be encouraged to set up voluntary creditor committees (with outside participation) to exchange information, and assess the need and modality of corporate debt restructuring (IMF 1998b).

However, the principle was soon overturned in the coordinated movement of the two world organisations; the IMF and the World Bank. On 29 May, 1998, the Executive Board of the IMF assessed the restructuring principle of the Korean government, and recommended that the government should take more decisive steps to speed up the corporate restructuring. Reviewing the May Letter of Intent, the directors of the Board pointed out that the important steps taken to improve corporate governance and strengthen market discipline needed to be complemented by actions to deal *decisively* with corporate over-indebtedness. In this regard, directors pointed to the need *to put in place a framework f*or corporate debt workouts by June (IMF 1998c). The directors' assessment was summarized by the Managing Director and then sent to Korean government.

This demand of the IMF should be understood as a part of a coordinated effort with the World Bank. Around the time of the IMF's demand, Korea was expecting a US$2 billion Second Structural Adjustment Loan (SALII) to follow a US$3 billion economic reconstruction loan made in December 1997 and a US$2 billion Structural Adjustment Loan (SALI) approved in March 1998. On 24 September, 1998 the Korean government submitted the formal request for SALII, delivering a Letter of Development Policy to the World Bank's President, James D. Wolfensohn, with the attachment of the overall Policy Matrix which contained Macroeconomic Framework

Matrix, Financial Sector Matrix, Corporate Sector Reform Matrix and Labor Market and Social Safety Nets Matrix. On 22 October, 1998, this request was approved by the Executive Board of the World Bank. What is noticeable is that the content of the Corporate Restructuring Policy Matrix was agreed in advance, between the Bank and the Korean government under the guidance of the Bank, and it was inserted into the Letter of Intent submitted to the IMF on 24 July, 1998 (IMF 1998d).[18] This indicates that *the two lending organizations regarded the corporate restructuring as the focal point of the structural reform of the country's economy and the design and implementation of the chaebol reform was actually directed by the IMF and the World Bank.*[19]

In a July Letter of Intent to the IMF, the Korean government revealed a revised design *putting in place a framework* for the corporate restructuring. The government concretely specified a new overall framework of principles and procedures for the future corporate workouts. In this updated form of Memorandum attached to the Letter of Intent the state appeared as a central force to replace the market-oriented mechanism revealed in the May memorandum. Whereas the May memorandum stressed that the restructuring should be voluntary (i.e., not government directed) and market oriented, the July memorandum revealed that the government's Financial Supervisory Commission (FSC), was to guide 1) selection of corporate restructuring candidates 2) a Corporate Restructuring Agreement to provide a structure for creditor/debtor negotiations 3) creation and operation of a Corporate Restructuring Coordination Committee (CRCC) (IMF 1998d).

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[18] Again, Korea's Policy Matrix of Corporate and Financial Sector Restructuring Loan from the World Bank was attached to the Memorandum on Economic Policies for the Sixth Review under the Stand-By Arrangement between the Government of Korea and the IMF on 24 November 1999.

[19] Further study should investigate the background of their intense intervention, particularly the corporate restructuring. Such a study would be a great help in addressing the question of who is behind the nexus between the IMF and the World Bank.

Since then, the involvement of state power in the chaebol reform appeared more distinctive and systematic in the coordinated implementation between the government and the international agencies.[20] In a strategic movement to deal with the chaebol reform they agreed that the chaebol should be separated into two major tiers reflecting the industrial structure of the economy for an effective corporate restructuring (IMF 1999a; Kim, D. H. 1999). The first tier was the top five chaebols; Hyundai, Daewoo, Samsung, SK, and LG, which accounted for a large share of the country's resources and exports. The top five chaebols accounted for roughly 27 percent of manufacturing output in 1998, 12 percent of manufacturing employment and 30 percent of corporate sales (Chopra, et al. 2001: 58). The next tier was the heavily indebted mid-sized chaebols ranked six to sixty-four by asset size. Based on this strategic division, the 'workout restructuring principle' of the July memorandum was to be applied to the six to sixty four chaebol. But the task for the top five needed more drastic measures because the top five were too big and complex for either the courts or the banks to handle. Finally, the government and the two international agencies formulated the framework to include the controversial method of restructuring; the so-called 'Big Deals' (IMF 1999c). It is important to realise that the Big Deals which require the aggressive form of political intervention were formally formulated under the guidance of the IMF and the World Bank. Seeing the corporate restructuring as the essential part of the Korea program they directed the design and the implementation of the chaebol reform in line with the principle that the

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[20] The guidance of the agencies for the government's corporate restructuring continued. On November 18, 1999, the Korean government delivered a Memorandum of Understanding (MOU) to the World Bank in the expectation of a Corporate and Financial Sector Restructuring Loan (CFSRL). The Policy Matrix attached to the MOU was later submitted to the IMF and it stipulated that the government provide the guidelines for required actions and sanctions for those chaebols that fail to meet the agreed implementation.

government should accelerate and strengthen the corporate restructuring process to ensure that more fundamental and meaningful operational restructuring is undertaken. With regard to the top five chaebols, the IMF welcomed the direct form of political intervention using regulatory powers and sanctions. As regards mid-sized chaebols, the IMF underscored the importance of deeper restructuring to enhance their viability to be achieved through their creditor banks by applying stricter sanctions for non-compliance with stated restructuring plans (IMF 1999c). The IMF's tough approach was the best asset the fragile Kim Dae Jung regime possessed to unfold a drastic form of intervention in the chaebol reform.

5.4.2 The Economic Apparatuses and the Chaebol Reform

The internal organisation of the state reflects the contradiction of the political forces within the state, since the state is the condensation of a relationship of forces between political forces. The state is not, and can never be, a monolithic bloc without cracks. The state is itself divided. Contradictions are the very stuff of the state; they are present in its material framework and pattern its organization while the state's policy is the result of their functioning within the state (Poulantzas 1978: 132). The internal organisation of the state expressed through the hierarchical and horizontal distribution of powers in the state apparatus and the relative dominance of specific branches of the state has significant effects on the exercise of state power (Jessop 1990: 207;345).

I have revealed earlier that state power taken by Kim Dae Jung had to be shared with the old hegemonic forces and it was divided once more within the coalition cabinet under the power sharing agreement with the ULD. Not surprisingly, this overall aspect of the internal organisation was condensed in the economic apparatuses in the same way.

Three major groups constituted the first economic team in charge of the chaebol reform. One was a group of experts from President Kim's camp. The major figure was Kim Tae Dong, who was appointed as the senior presidential secretary for policy planning. His appointment was considered to be a strong indication that the government would take drastic action in the chaebol reform because the economic philosophies of President Kim and Kim Tae Dong conformed to the principles of the IMF-recommended reform guidelines centering on reforming the chaebol. Another group from the ULD comprised the majority of the economic ministers as Kim Dae Jung and his coalition partner Kim Jong Pil agreed in principle to allow the NCNP to fill most non-economic posts and the ULD to comprise the economic ministers, since the ULD boasted of a number of experienced figures who had worked in the previous regime during Korea's rapid economic development period. For example, Kim Yong Hwan was a leading politician from the ULD. He worked as a senior economic adviser to President Kim Dae Jung to help the president get through the turbulent period of economic crisis following the IMF bailout. Lee Kyu Sung from the ULD was designated as the head of the Finance and Economy Ministry, which would play a leading role in controlling the economic team. Another group of specialists was made up of conservative high-ranking officials in bureaucratic circles. They included Chon Chol Hwan, the governor of the Bank of Korea (BOK), the nation's central bank, Lee Hun Jai, the chairman of the Financial Supervisory Council, and Kang Bong Kyun, the chief economic adviser to the president.

Following the formation of the first economic team there grew concern over the melting-pot aspect of the economic team. It was questionable whether an economic team comprising different political forces could be unified enough to implement the chaebol reform in a uniform manner or not. For example, it was

questionable how Lee Kyu Sung (who was supposed to play a leading role as the minister of Finance and Economy Ministry) was able to maximize harmony with other economic ministers, including the powerful heads of the new Financial Supervisory Board and the Fair Trade Commission.

However, the possible crack in the internal organisation did not disturb the uniformity of the economic team necessary in the chaebol reform implementation. First, economic issues were less likely to cause internal contradictions within the economic team.[21] Second, the state managers had no choice but to comply with the IMF imposition. The newly appointed minister of the Finance and Economy Ministry, Lee Kyu Sung, defined his role as a 'faithful executor' of economic reforms prescribed by the IMF. He vowed to faithfully implement the IMF-recommended economic programs as a way of further regaining international confidence in the Korean economy (*Chosun Ilbo* 04/03/1998). Third, Kim Dae Jung was a charismatic president who became a national leader in the vortex of the national crisis. As long as President Kim's determination to the chaebol reform was strong, a crack in the unity of the economic team was out of the question. Although the key economic ministers were politically based in the ULD faction, they were appointed by President Kim and so could not be disloyal to the President under the powerful presidential system in Korea.[22] Also, the sense of the national crisis played an important role in limiting possible conflicts within the economic team of the Kim Dae Jung government. It consolidated the unity and cohesion of the politically divided branches of the

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[21] Case studies have been conducted over the relation between economic issues and the dissolution of coalition cabinets. A striking feature of the problems that led to the demise of Norwegian coalitions was that they appeared to be caused by events of a non-economic nature. The absence of economic issues acting as terminal events is striking. For the case studies of Scandinavian countries, see Narud 1995; Browne et al. 1986b.

[22] Personal interview with Kim Tae Dong, the former Senior Presidential Secretary for Policy Planning to President Kim Dae Jung, at the Bank of Korea in Seoul on 15 September 2003.

government.[23] The regime overcame the fragile feature of the internal organisation and managed to exert a strong form of intervention in the chaebol reform process.[24]

At the front line of chaebol reform was the Financial Supervisory Commission (FSC) and the Free Trade Commission (FTC). The function of the state is reflected in the institutional organisation of its apparatuses, and an imperative function of the state at a determinate conjuncture corresponds to the predominance of some state apparatuses over others. The imperatives of the Kim Dae Jung regime corresponded to the preponderance of some government branches over others. The FSC and the FTC appeared as the most powerful branches of the economic apparatuses.

On 1 April, 1998, the FSC was established as an integrated financial supervisor in Korea to achieve efficient and appropriate financial supervision in relation to the structural overhaul of the national economy. It consolidated four pre-crise regulatory bodies: the Banking Supervisory authority, Insurance Supervisory Commission, Securities Supervisory Body and the Non-banking Supervisory Authority. The FSC was authorized with all rights to approve, supervise, restrict and review the country's entire financial institutions except the three state-invested banks; Export-Import Bank of Korea, Korea Development Bank and Industrial Bank of Korea. The power of the FSC was further increased by the IMF's recommendation

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[23] In this context Jessop says that "a hegemonic project plays a crucial role in limiting conflicts within and among the various branches of the state apparatus and providing an ideological and material base for their relative unity and cohesion in reproducing the system of political domination. The pervasive problem of articulating certain 'particular interests' to a 'general interest' favourable to capital and discouraging the assertion of other 'particular interests' occurs within the state apparatus as well as in the economic region and civil society and it affects not only the 'representation' of economic and civilian interests inside the state but also the sui generis interests of political categories such as bureaucrats, the police, duputies, and judges" (Jessop 1982: 245).

[24] In comparative perspective, Vivek Chibber traces the element of the postwar Korean economic development to the greater internal coherence of the Korean government. Chibber demonstrates that the Economic Planning Board (EPB) in Korea was created with the institutional power to discipline other state agencies, so that they could not block, override, or ignore its recommendations. In contrast, the Planning Commission (PC) in India lacked any real power over other agencies and so it found itself shunted aside in the policy process. He argues that bureaucracy must be nested in an institutional setting to contribute toward state coherence. This is precisely what the Indian policy regime was unable to achieve and its Korean counterpart achieved quite spectacularly (Chibber 2002).

that all financial regulation authority of the Ministry of Finance and Economy should be handed over to the FSC. Also the independence and autonomy of the FSC was enhanced through revisions to the Government Organization Act (IMF 1999b; 1999c; 2000). Furthermore, it was later endowed with investigative power for more effective policing of stock manipulations and other illegal market transactions. The FSC played a decisive role in the restructuring of the financial sector and in the corporate restructuring.

For the FTC, the imperatives of the chaebol reform meant an enormous task to act as a watchdog by investigating illegal operations of monopoly capital. Its main job in the chaebol reform was to investigate unfair internal transactions among the business groups' main subsidiaries. The investigation focused on intra-group deals in commodities, services, funding, assets and personnel. Enforcing regulations against illegal intra-unit chaebol transactions, it conducted its own investigations and levied fines on chaebols found engaging in illegal intra-unit transactions. While the FSC dealt with the chaebol in an indirect form of intervention behind the creditor banks, the FTC faced the chaebol in a manner of an offensive investigation. The FTC played a more active role in enforcing regulations against illegal intra-unit chaebol transactions in proportion to the FTC law stipulating that support from viable subsidiaries to nonviable debt-ridden units of a family-owned conglomerate is illegal.[25]

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[25] As a first attempt to curb the wrong practices of capital, it launched a 44-day probe at the end of 1998 to investigate the chaebols ranked below the top five. The FTC selected the five chaebols, Tongyang, Hanjin, Dohgbu, Hansol and Hanwha, from among the two dozen chaebols that rank from sixth to thirtieth on the suspicion that they conducted undue inter-subsidiary deals. During the probes, the FTC focused on uncovering whether strong subsidiaries of the five chaebols provided preferential aid to their weak affiliates to keep them afloat. And the FTC imposed a total of 18.1 billion won ($15.18 million) on five midsize groups for illegal support among subsidiaries. A total of 35 units of the five chaebol were found to have illegally supported 45 other subsidiaries, and the support amounted to 69.3 billion won (*Korea Herald* 26/02/1999). The probe was launched two more times in the next two years, targeted at chaebol below the top five. In a 2000 probe, a total of 26 units of the chaebols were found to have illegally supported 34 other subsidiaries. The support amounted to 49.9 billion won.

The second and third economic teams continued to conform to the principle of intensifying the ongoing reform effort in chaebol policies. The second economic team, formed in May 1999, was headed by the minister of Finance and Economy, Kang Bong Kyun, and the chief of the Financial Supervisory Commission, Lee Hun Jai, who were both reform-minded technocrats, and both started their careers in bureaucratic circles during the period of government-led industrialisation. In the chaebol's point of view, they were well trained in 'how to kill which enterprise'. The chaebol reform was another opportunity for them to demonstrate their expertise in choosing which enterprise should die.[26] They were expected to continue to tread on the same path in carrying out economic reforms. The maintaining of consistency in economic reform was a major priority in the formation of the economic ministry's line-up. The third economic team, which started in January 2000, also reflected the determination of the government to maintain continuity in the economic reform process. Lee Hun Jai, who played a key role in stewarding restructuring and downsizing policies, was appointed as new Finance and Economy minister.

5.4.3 Small Capital and Indirect Intervention

To launch an effective chaebol reform, restructuring the financial sector was an essential preliminary step (IMF 1998a; Kim, K. W. 2000; Kim, S. J. 2000). The FSC completed the first major wave of restructuring in the financial sector in mid-1998.[27] Following this step, the FSC set out to deal with the corporate restructuring.

The FTC imposed a total of 16.1 billion won for illegal support among subsidiaries. In the investigation of 2001, a total of 17 units of the chaebols were found to have illegally supported 24 other subsidiaries. The support amounted to 13.2 billion won. The FTC imposed a total of 7.1 billion won for illegal support among subsidiaries (FTC 199b; 2000; 2001).

[26] Interview with the former FKI Executive Deputy Chairman Sohn Byung Doo at the Hall of FKI in Seoul on 16 September 2003. FKI is the Federation of Korean Industries which is the mouthpiece organization of the chaebol.

Taking its first big step towards the chaebol reform, the government revealed a list of fifty-five nonviable firms, including twenty units of top five conglomerates, for possible liquidation on 18 June, 1998. The list included four subsidiaries of Hyundai, Samsung and LG, along with five units of Daewoo and three SK Group firms. Also included in the corporate ``hit list'' were twenty-one insolvent companies of eight smaller conglomerates. The FSC showed in this first move its strong determination for corporate reform by rejecting the first list of the non-viable firms that the creditor banks had submitted to the FSC. The first list was in effect returned to the banks for reconsideration on the grounds that it contained no subsidiaries of the big five chaebols.

After the first exit of the non-viable firms, a systematic strategy of corporate restructuring unfolded according to the consultation between the government and the IMF. Separating the chaebol into two major tiers, the government deployed a different strategy for each tier. For the reform of 6-64 chaebols the workout method emerged as the main restructuring strategy. The workout system was introduced in July 1998 as an out-of-court arrangement for corporate rehabilitation (MOFE 1999a; 1999c). The government directed the country's entire financial institutions to agree to launch the private arrangement to facilitate restructuring of large corporations with heavy debt. The rationale behind the introduction of the private arrangement was that a court receivership generally takes far longer to reach a decision on what creditors do for a firm in need. It was also intended to resuscitate ailing but promising affiliates of mid-sized chaebols through debt rescheduling, debt relief, infusion of fresh loans and debt-to-equity swaps. Those chaebols were too weak to reform their own management. The

[27] The financial restructuring started first with nationalising two commercial banks, Korea First and Seoul in December 1997. As of October 1998, 5 out of 25 commercial banks were ordered to close, while 16 out of 30 merchant banks, 6 out of 34 securities companies and 4 out of 50 insurance companies had their licences either revoked or suspended.

government decided to have their creditor financial institutions take the lead in working out restructuring plans and providing needed financial support (Kim, D. H. 1999: 504). Unlike the top five, most of these mid-sized chaebols lacked access to bank credit or the capital markets and needed debt workouts or new loans to have any chance of meaningful restructuring. Many were highly leveraged, with debt in some cases exceeding 1,000 percent of equity, spread across a number of creditors and a variety of debt instruments (Chopra et al. 2001; Kim, D. H. 1999).

The government announced that the workout program would follow the so-called 'London Approach' (IMF 1999a). In line with this London Approach the government established the framework of the workout program by creating the creditor banks unit, a Corporate Restructuring Coordination Committee (CRCC). The CRCC was a temporary establishment jointly set up by 210 financial institutions signatory to the Corporate Restructuring Agreement (CRA).[28] The committee was mandated to coordinate the out-of-court debt-workout processes of viable firms belonging to the 6th-64th chaebols and independent large enterprises. When disputes arose between these firms and their main creditor banks on the terms of workouts, the committee had the authority to mediate. The CRCC, whose term was supposed to finish at the end of 1999, continued to exist by the recommendation of the IMF and the World Bank that recognised its roles and achievements in the process of corporate and financial restructuring. By referring to the 'London Approach' the government intended to emphasize that the future workout restructuring would be voluntary performance and that the FSC would guide creditor banks to play a leading role in processing the corporate restructuring.

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[28] CRA committed all creditors to abide by specific workout procedures. Under the guidance of the FSC, over 2000 financial institutions signed in June 1998 a Corporate Restructuring Agreement designed to facilitate the workout program of the most troubled chaebols by granting a bankruptcy grace period of one to three months for insolvent corporations targeted for restructuring.

Nevertheless, it should be noted that state power was inevitably going to be an actual driving force behind the process of workout restructuring. The 'London Approach' was a non statutory and informal framework introduced with the support of the Bank of England. It dealt with temporary support operations mounted by banks and other lenders to a company or group in financial difficulties, pending a possible restructuring (Armour and Deakin 2000: 14). The Bank of England played a vital role in coordinating the activities of creditors during the period of the corporate restructuring in the 1980s by encouraging them to organise workouts amongst themselves. Since social 'norms' among creditors provided a basis for coordination among agents, the approach could be maintained apparently without reference to the formal legal rules and sanctions, and because the Bank's long-standing role in dealing with the consequences of large-scale corporate failures made it well equipped to undertake those huge tasks (Armour and Deakin 2000).

However, the FSC, which was supposed to play the role of the Bank of England, directly controlled the CRCC. The creditor banks were nothing other than the extension of state power due to their indebtedness to the government during the financial restructuring process. A huge amount of induction of rescue capital from the government was indispensable for the survival of the heavily leveraged financial institutions. Since the onset of the financial turmoil in late 1997, nonviable banks and financial institutions survived through public funds and a great deal of the funds was spent on facilitating the banking-sector overhaul. As of December 2001, the government spent a total of 156 trillion won ($132 billion) in public funds on restructuring the nation's financial sector (MOFE and FSC 2000; 2001; 2002; 2003). The FSC had immense power over the banks through the distribution of public funds. It determined the viability of the banks and only those thought as such could be the

beneficiaries of public funds. In exchange for this funding, the banks had to submit a Memorandum of Understanding to the FSC, whose guidelines were issued to all the banks whose rehabilitation plans were approved. According to the agreement, the FSC monitored all banks' adherence to a clear timetable for achieving specific performance objectives, which included improvements in capital ratios to 8 percent, performance to enhance risk management and profitability, and the continuing identification and resolution of nonperforming loans. In case the recapitalization plans of the banks were not implemented as agreed, the FSC adopted appropriate measures to the full extent of its powers, including requiring mergers, acquisitions, and liquidation (IMF 1998b). The banks were subjected to corrective actions by the FSC. The FSC provided the IMF with all the relevant information (including the results of diagnostic reviews and information on MOUs) necessary for monitoring the restructuring of the financial system (IMF 1999a). The tough attitude of the government following the injection of public funds naturally disciplined the creditor banks. Failure to meet stipulated clauses in the contracts between the banks and the government automatically suspended the receipt of public fund instalments and resulted in layoffs for the key executives deemed responsible.[29] What was of crucial importance to this public fund in its relation to the chaebol reform was that the FSC made the fund unavailable to those banks that did not cooperate in the corporate restructuring. In consultation with the IMF and the World Bank, the government used the public funds to enhance incentives for banks to participate fully in the corporate restructuring process. No public funds were supposed to be made available to the

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[29] As of late September 2002, the Korea Deposit Insurance Corp (KDIC) which was a state-run agency in charge of the funds to bail out troubled financial companies, filed suits against 4,630 people to seek 1.28 trillion won in compensation for poor management of the ailing financial institutions. And the FSC had 2,934 employees of public fund-injected financial institutions get in-house punishment. It also took a further 1,310 to court for criminal punishment, holding them responsible for the poor management (*Korea Herald* 24/10/2002).

banks which were not certified by the FSC to be fulfilling their role in the corporate sector restructuring process (IMF 1999b).

The FSC required the creditors to effectively monitor the implementation of workout MOUs which were agreed between the banks and the chaebol. The monitoring was done by regular debtor reporting and quarterly implementation reviews by creditor banks' workout units. Through this indirect form of intervention the FSC disciplined the chaebols in the workout program. The FSC provided guidance concerning required actions and sanctions for the chaebol that fell short in MOU implementation. In cases where a workout company failed to meet business performance or 'self help' targets specified in its workout MOU, guidelines required creditors to replace management, withdraw credit, negotiate another workout, petition for court-supervised insolvency, or sell their interests in the company.

Most major mid-sized chaebols were placed under this strict workout program. As of June 2002, a total of 83 affiliates of mid-sized chaebol had been placed under the new restructuring scheme since its launch in June 1998. The 83 workout firms represented nearly half of all subsidiaries affiliated with mid-sized chaebols ranking between 6-64. Out of 83 companies, 22 were still under workout programs and 47 companies either 'graduated' from the program through mergers, outright sales, or a turnaround in performance or left the program with the support of their creditors to seek mergers on their own. And fourteen had to face liquidation or apply for court receivership (MOFE 1999c; 2000).

5.4.4 Big Capital and a Direct form of Intervention

The government initially put the creditor banks in the front line in facing the top five chaebols. However, faced with their formidable economic resources to

circumvent the state, the government later deployed all available political resources whenever necessary.

The approach to restructuring the five chaebols was also in line with the principle of 'market economy'. Rather than taking a direct political intervention, the FSC guided creditor banks to have the five chaebols submit the Capital Structure Improvement Plans (CSIPs) to encourage the restructuring on their own. In CSIPs the five chaebols agreed with creditor banks to improve their financial health by conforming to the 5+3 principles. They specified a concrete procedure to improve their corporate governance system, introduce consolidated financial statements, identify core businesses and spin-offs of non-core affiliates, reduce indebtedness, eliminate cross guarantees and attract direct foreign investment (IMF 1999a). These plans were subject to a strict supervision from the creditor banks. If the top chaebols failed to push reorganizations for debt reduction as they promised, the banks were supposed to take the appropriate course of action and sanctions (workout of chaebol affiliates, sale of collateral/assets, court-supervised reorganization or bankruptcy of affiliates, and/or withdrawal of credit). The FSC ensured monthly implementation reviews of CSIPs and provided guidance to Lead Banks regarding required actions and sanctions for the top five chaebols that did not meet agreed CSIP benchmarks. Following the quarterly reviews of CSIPs of the top five chaebols, the FSC produced a public report on the status of implementation of these programs, indicating progress on meeting key restructuring targets. Within thirty days of the end of each quarter, it provided the World Bank with a status report on the corporate restructuring (CR) program (IMF 1999b).

However, progress was slow particularly in identifying the core businesses of those chaebols. From the viewpoint of the government, the reform of the top five was

meaningless without the substantial achievement in the Big Deals plans. The government had retreated back in its first fight for the Big Deals in early 1998, but it again demanded the top five to take swift and effective measures to benefit the national economy. Noticeably, after Kim Dae Jung came back from an American trip in June 1998, the political pressure for big deals began to take on an aggressive form,[30] and the push for the big deals was intensified later following a coordinated consultation between the government and the international agencies. The FSC provided the World Bank with a status report on the Big Deals, including information on which deals were reviewed by independent advisors, the name of the advisory firm, and the date the work was completed (IMF 1999b).

In August 1998, bowing to tenacious pressure from the government, the top five chaebols vowed to initial a letter of intent to swap some of their affiliates. Chief planning executives from the big five chaebols formed a task force on subsidiary swaps under the auspices of the Federation of Korean Industries (FKI), a closed chaebol fraternity (*Hankyoreh* 10/08/1998). As expected, the top chaebols engaged in severe disputes over who would gain control of the joint firms and consortiums, sparking concerns that the big-deal restructuring may collapse. On 29 September 1998, one day before the government-imposed deadline, they held last-minute negotiations to clarify management control of their joint firms and consortiums in semiconductor and five other industries. However, despite last-minute efforts, top planning officers

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[30] Obviously the push for the Big Deals was intensified after Kim Dae Jung returned from his U.S. trip. At the July 16 1998 cabinet meeting at the presidential office, Kim said one of the three chaebols (Hyundai, Samsung and LG) refused big deals and vowed the government would intervene in the brokering of the adjustment of business lines among the top business groups if they continue to balk at the reform. In an unprecedented manner, he said that "Pursuit of a market economy does not mean that the government should not intervene in the affairs of private enterprises." he continued to say that, "as long as private companies affect the government and the people, the government has justifiable reasons to intervene," adding that, "even in the United States, corporate big deals take place frequently and many foreign businessmen praised the contents and direction of Korea's reforms but they complained over the slowness in its implementation"(*Korea Times* 17/06/1998).

of the Hyundai, Samsung, Daewoo, LG and SK groups failed to resolve their differences over managerial control of six joint firms and consortiums. Instead, they agreed to ask third parties to pass judgements through asset evaluations. However, in view of the domestic banks' ability to mediate between the giant chaebols, the roles of the third-party judges raised serious questions over the successful agreement of Big Deals.

It was not until early December 1998 that a breakthrough was made by direct state involvement. Over the weekend before December 7, government officials and executives from the top five chaebols and their creditor banks held final negotiations to work out an agreement to be presented at a crucial meeting with President Kim Dae Jung. On December 7, the agreement was finally revealed at a tripartite meeting at the presidential office, marking the end of the long delayed deadlocks in the Big Deals negotiation process. Only after the government twisted the chaebol owners' arms into agreeing to give up many of their business lines, the Big Deals could show up as a substantial form of agreement. In the agreement the five chaebols selected some areas as their core businesses where they would focus their core competence. If the agreement was implemented as planned among the five chaebols, the total number of the affiliates of the five chaebols was to be cut from 264 to 130. According to the above agreement, each of the five submitted the revised CSIPs to creditor banks. These plans included the Big Deals, which involved asset swaps and joint ventures among the top five.[31]

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[31] Later, the big deals involved not only the top five but also other mid-sized chaebols. Among many big deals, the major ones are as follows. Hynix Semiconductor was born with Hyundai Electronics's taking over LG Semicon from the LG Group. Inchon Oil Refining started its business after Hyundai took over Hanwha Energy. Doosan Heavy Industry appeared by absorbing the power generating facilities of Samsung and Hyundai Heavy Industries (FSC 2000).

However, the December agreement was not the end but the beginning of a political intervention in the top five restructuring. The agreement was mostly about an overall framework of Big Deals plans, but the power to put the agreement into action needed a more aggressive form of intervention. The two most prominent deals began to show signs of cracking. The promised exchange of Samsung's automobile company with Daewoo's electronics subsidiary and the agreed merger of semiconductor units of Hyundai and LG faced difficulty. Hyundai and LG squabbled over the proposed merger of their semiconductor units: Hyundai Electronics and LG Semicon. The problem was triggered by LG's refusal to accept the evaluation by US financial consultants Arthur Little which recommended that Hyundai Electronics be awarded the 70-percent controlling stake in the two Korean companies' merger deal. As the merger was endangered by rejection from LG, the creditor banks of LG suspended new loans to LG's semiconductor subsidiary. This measure was again immediately followed by the President Kim Dae Jung's exclusive meeting with LG chairman Koo Bon Moo at the Presidential office in January 1999. After the meeting Koo Bon Moo announced its decision to turn over LG Semicon, its chip-making affiliate, to Hyundai Electronics.

In what was often called 'a super big deal', Daewoo and Samsung agreed on 7 December 1998 that Daewoo Motor would buy Samsung Motors, while Samsung Electronics would acquire Daewoo Electronics in return. However, negotiation on the Samsung-Daewoo swap made little headway. Indeed, the severity of the circumstances forced President Kim Dae Jung to intervene in the Samsung-Daewoo dispute. In January 1999, he met separately with Samsung chairman Lee Kun Hee and Daewoo chairman Kim Woo Choong and urged them to honour their deal (*Chosun Ilbo* 23/01/1999).

However, this time the president's direct intervention did not work as well as in the case of Hyundai and LG, for two reasons – financial and political. The financial obstacle arose because, although each company had agreed in principle to the swap of their respective affiliates, negotiations had foundered over the valuation of Samsung's (expensive) automobile company, at a time when it was becoming clear how large Daewoo's financial debts were. This was a problem that Kim Dae Jung was not able to solve, and fruitless negotiations continued for six months, after which Samsung chairman, Lee Kun Hee, announced that Samsung was to seek court receivership for Samsung Motors. Consequently, the merger talks collapsed.

Daewoo's liquidity crisis soon developed into one of the world's biggest corporation bankruptcies. In 1999, Daewoo, the country's second largest chaebol accounting for roughly 10 percent to total exports, went bankrupt because of its excessive leverage and debt–equity ratio (527% at the end of 1998), and the government took direct control over the handling of one of the largest restructuring operations in the world (Daewoo's liabilities amounted to $74 billion, or 18% of South Korea's GDP). By dismantling Daewoo, the government reiterated its strong commitment to the principle of corporate restructuring, and affirmed that it would not be deflected from this principle, even to save a giant conglomeration from bankruptcy, whatever the short-term fallout for the national economy. During the process of Daewoo restructuring the IMF urged that the government maintain an open attitude to foreign involvement (including purchases of assets) in the restructuring process to ensure that the workout plans for Daewoo go beyond financial restructuring to operational restructuring through asset sales, liquidation of nonviable companies, and other forms of business restructuring through asset sales (IMF 2001).

The political reason for the failure of the merger plan was the fact that Kim Dae Jung faced severe pressure from his political opponents to abandon the deal. He was accused by the opposition party GNP politicians of regional favouritism by pressing for the scheme, because they claimed that it would have benefited Cholla-located companies at the expense of important industrial plants in Kyoungsang and Pusan provinces. With no wish to further alienate the population in the areas where his political rivals enjoyed their greatest electoral support, Kim Dae Jung decided not to pursue the exchange.

The authoritarian form of intervention produced a substantial attainment of the government's target aimed at the top five chaebols. When it comes to the top-five chaebols, the government discarded the rhetoric of 'market economy' and explored a direct political intervention. The credit banks were not an effective instrument, even if they were powerful enough to discipline medium-sized capital. During this process Daewoo disintegrated and the other top four chaebol underwent a significant change of capital structure. Indeed, the intensive state intervention, coupled with the sweeping neo-liberal typhoon fanned by the international agencies, transformed the landscape of the nation's top chaebol.

Only half of the top thirty chaebol prior to chaebol reform are still standing tall. Sixteen of the nation's top thirty chaebols have disappeared over the past five years. Fourteen of the chaebols - including such former giants as Daewoo, Kia, Jinro and Haitai - have gone belly up since the 1997 financial crisis and undergone court-receivership, workout programs and other types of court-mediated liquidation proceedings (FSC 2000; FTC 1998; 1999a). And, regardless of whether or not the reform policy was successful in an economic point of view, the strong form of state intervention brought about a noticeable change in the capital structure of the chaebol.

The average debt ratio of the 49 largest chaebols stood at 116.35 percent as of the end of April 1 2003; a significant reduction from 1997's 518.9 percent. With Daewoo gone, the top chaebols' debt ratio came down from 479 percent in 1997 to 190 percent; Hyundai from 578 to 361.59, Samsung from 371.3 to 67.84, LG from 512.1 to 152.05, and SK from 458.6 to 179.11 (FTC 2003).

Conclusion.

The controversy over the Kim Dae Jung government's state intervention with the chaebol has never been subjected to serious academic investigation. The only studies that have been carried out focus either on the empirical evidence of the government's alleged violation of market forces (Jwa and Seo 2000; Lee, J. W. 2000; Park, J. J. 2002), or on the issue of whether the outcome of the government's interventionist policy fulfilled its aims (Kim, S. H. 2000).

As the controversy took issue directly with state intervention itself this chapter began with a theoretical investigation in order to question whether there was a contradiction between the Kim Dae Jung government's commitment to neo-liberal principles and its policy of the chaebol reform. I pointed out that the source of the controversy is traced back to the neoliberal intellectual tendency and emphasised that state intervention inevitably occurs *whether in neo-liberal guise, or in Keynesian guise*. To support this point I stressed Plulantzas' argument that *the separation is nothing other than the capitalist form of the presence of the political in the constitution and reproduction of the relations of production* (Poulantzas 1978:19). And then I argued that the state is not antithetical to the economy and cannot be hermetically separated from the economy, but constantly and inevitably interferes with market forces. The neo-liberal interpretation of the relation between the state and the economy cannot rule out all interference by the state in the economy because state

intervention is omnipresent in capitalism. Thus, there was no contradiction after all between Kim Dae Jung's enunciation of neo-liberal principles and his interventionist policy of chaebol reform (although there might have been politically).

After stressing the omnipresence of state intervention in capitalism, I investigated, in the context of the *form* of the Kim Dae Jung state, the specific conjuncture which led the Kim Dae Jung regime to deploy a highly controversial form of state intervention in its corporate restructuring policy. In other words, while I did not take issue with state intervention itself, I questioned the *conjunctural degree* of state intervention in the context of the *form* of the Kim Dae Jung state defined as an ensemble of 'exacerbated dependency'; 'increased labour power'; and 'fragile state unity'. I found that the authoritarian form of state intervention was rooted in the dialectical combination of the *form* of the state, i.e., 'exacerbated dependency', and state strategy to capitalise on the external dependency to overcome another *form* of the state, i.e., 'fragile state unity'. This chapter demonstrated that the combination of the IMF's direction and the active endorsement by the local Kim Dae Jung government was the major structural and strategic background behind the controversial form of state intervention.

CHAPTER 6: THE STATE AS THE CONDENSATION OF SOCIAL FORCES AND THE RETREAT OF THE CHAEBOL REFORM

Introduction

I have argued that the *form* of the Kim Dae Jung state was constituted by 'exacerbated dependency', 'increased labour power', and 'fragile state unity'. In chapter five I demonstrated that the *form* of 'exacerbated dependency' was a powerful resource the politically vulnerable Kim Dae Jung regime relied on to secure state autonomy *vis-a-vis* the chaebol. However, the departure of the IMF in 2000, coupled with the failure of state project, accompanied the *change of the form* of the state in the second half of the Kim Dae Jung regime. The *changed form* of the state became characterised by 'increased capital power' (chaebol power) and 'exacerbation of state disunity' (the ascendance of the opposition GNP power).

This chapter investigates the form of political representation of the interests of the chaebol in terms of the *changed form* of the Kim Dae Jung state. I will argue that the chaebol's interests were realised through the form of parliamentarism in the National Assembly, rather than through that of corporatism in the KTC table. In the wake of the IMF's departure from the country, the chaebol circumvented state intervention with the political support from the GNP, the largest force in the National Assembly.

6.1 Political Representation of the Chaebol and the Korea Tripartite Commttee (KTC)

Let me clarify a potential misunderstanding. The Korea Tripartite Committee (KTC) existed as a corporatist institutional arrangement under the Kim Dae Jung regime. A careless study preoccupied with the corporatist body would jump to the

conclusion that the political representation of the chaebol was realised in the form of corporatism through the activities of the KTC.

With regard to the form of political representation, both pluralism and corporatism have been vigorously studied for the last few decades. Pluralism, with parliamentarism as the typical type of its form, expresses the political interests of various political forces in a society through the majority rule principle. Political interests are realised through the parliamentary enactment and subsequent impartial, rational-legal bureaucratic enforcement of general legislative codes regulating private and public activities (Jessop 1979: 195). Whereas pluralism relies on the majority rule, corporatism is a systematically organised form of interest representation. It is the system of interest representation in which the constituent units are organised according to the principle of the maximising of the total interests.[1]

Indeed, the establishment of KTC in January 1998 became a corporatist institutional mechanism representing the political interests of the industrial actors of Korea. This *neo-corporatist* arrangement[2] was the country's first organised form of interest mediation in which the constituent units are organized according to the

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[1] The most frequently cited definition of corporatism is made by Philippe C. Schmitter. He defines it as "a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierachically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports" (Schmitter 1979: 13).

[2] Scholars have developed some couplets of prefix to distinguish the polar types of corporatism. The understanding of the distinction is important in studying the cases of Korea. Mihail Manoilesco (the original corporatist theorist) provides the key distinction between two different subtypes (i.e., *corporatisme pur* in which the legitimacy and functioning of the state were primarily or exclusively dependent on the activity of singular, noncompetitive, hierarchally ordered representative "corporations" and *corporatisme subordonne* in which similarly structured "corporations" were created by and kept as auxiliary and dependent organs of the state which founded its legitimacy and effective functioning on other bases). Schmitter labels the former, autonomous and penetrative, as 'societal' or 'neo' corporatism; and the latter, dependent and penetrated, as 'state' corporatism (Schmitter 1979: 20). In the same context, Lehmbruch stresses the different aspects of corporatism by distinguishing 'liberal' from 'authoritarian' corporatism (Lehmbruch 1979: 121; Panitch 1979: 122-123). According to this line of distinction, it would be possible to label the authoritarian Park Jung Hee regime as the system of 'state' corporatism and the democratic Kim Dae Jung regime as that of 'neo' corporatism.

principle of representational monopoly within their respective categories. To represent the interests of Korean capital two interest groups, the Korean Employers Federation (KEF) and the Federation of Korean Industries (FKI), were entitled with representational monopoly in the Commission.[3] Also, the nation's two umbrella labour union federations, KCTU and FKTU, were granted the right to join the Tripartite Committee to safeguard the interests of labour in Korea. The central feature of the KTC was the collaboration of 'capital' and 'labour' in the corporatist scheme in national decision-making in exchange for the duty of maintaining the functional hierarchy and social discipline.

Following the introduction of the neo-corporatist arrangement, some policies affecting industrial relations were designed within the framework of the KTC consultation. Above all, the agreement for legislating corporate lay-off was the most visible achievement of the Committee. Faced with the IMF's demand that legislation was necessary to enhance labour market flexibility the KTC came up with a ninety-clause tripartite accord containing measures for a more flexible labour market. In addition, some key labour issues were hammered out which were closely related to the stabilization of labour relations. In 2001, the government, employers and workers agreed to postpone the coming-into-force of multiple unionism at the level of individual workplaces and the ban on wage payment to full-time union officials for

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[3] In Korea there are five major capital associations; the Federation of Korean Industries (FKI); the Korea Employers' Federation (KEF); the Korea International Trade Association (KITA); the Korea Chamber of Commerce and Industry (KCCI); and the Korea Federation of Small Business (KFSB). These business associations are the primary organisations of the Korean bourgeoisie. The difference among the fractions depends on their diverse sectoral economic interests. FKI and KEF were entitled with representational monopoly to participate in KTC. Of these five business associations, FKI makes up the most powerful fraction of the national bourgeoisie.

five more years.[4] Also, the teachers' trade union and KCTU were legalized, and public servants were allowed to organize workplace associations.

However, despite those neo-corporatist arrangements it is wrong to argue that the political interests of the chaebol were represented through the tripartite mechanism. The existence of the KTC does not mean that the tripartite arrangement, as will be shown in chapter seven, was a successful institutional mechanism for guaranteeing the interests of capital and labour under the Kim Dae Jung regime. Moreover, it should be remembered that chaebol reform policies, as seen in the previous chapter, were actually designed and implemented in the consultation between the IMF and the Korean government. One of the most important features of corporatism is an institutional mechanism through which representation and intervention are institutionally fused in the form of 'corporations' constituted on the basis of their members' economic functions (Cawson 1986: 24). Corporatism combines two key features: the intermediation of functional interests (representation/control) and a specific mode of public formation (intervention). It is the combination of these features that is the hallmark of corporatism: it is their separation that is central to parliamentarism (Cawson 1985: 9). It must be stressed that chaebol policies revealed in the 3+5 principles were formulated by the political forces outside the KTC table. Although the state was one constituent in the Committee it consulted with the IMF for the formulation of chaebol policies, not with the chaebol or the labour unions. Careful attention needs to be drawn to the significance of the

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[4] The establishment of multiple trade unions at enterprise level and the ban on wage payment to full-time union leaders were scheduled to be effective from 1 January 2002. However, employers feared that multiple trade unions would cause confusion over the way labour-management negotiations are carried out. FKI and KEF claimed that the channel of collective bargaining must be unified with a single union at enterprise level. Meanwhile, trade unions were concerned that if full-time union officials were not paid by employers, the unions of small and medium companies would be financially troubled further and could not manage union activities properly.

discrepancy between who formulated and implemented chaebol policies and who were the members of the corporatist institution.[5] As state intervention into the chaebol was not channelled through the corporatist body, the interests of the chaebol were not represented through the system of corporatism. Rather it was through the form of parlimentarism that the chaebol's interests began to be attained during the second half of the Kim Dae Jung regime. Therefore, keeping in mind parliamentarism as the system of chaebol's interest representation I will show that the *changed form* of the Kim Dae Jung state (i.e., the IMF's departure and the salience of the political weakness of the ruling regime) enabled the chaebol to realise their interests with the support of the majority opposition party in the parliament.[6]

6.2 The Retreat of Korean Capital: Exclusion of the Chaebol from the Political Power Bloc

Eckert recognised the power of the chaebol as well as that of the developmental Korean state. He mentioned that the Korean bourgeoisie was stronger than the Communist parties in Eastern Europe (Eckert 1993: 110). The 1997 national crisis, however, caused the power of the chaebol to rapidly plummet. The chaebol faced the fundamental difficulty of producing surplus value for its survival and they completely lost popular support in the vortex of criticism that the chaebol was the biggest cause of the national disaster. Moreover, state intervention was formidable in the first half of the regime. State power augmented by the external force was

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[5] It should be noted that although the KTC endorsed the coordination of the IMF and the government by coming up with a 90-clause tripartite accord in 1998, the accord was nothing other than the reluctant and hesitant acceptance on the part of capital and labour amid the national crisis.

[6] It was through the form of parliamentarism not corporatism that the interests of the chaebol were represented. But it would not be correct to regard the KTC as a defunct system for chaebol interests. In some cases chaebol interests were realised in the agreement within the KTC. For example, the delay in introducing multiple trade unions agreed in the KTC table reflected the interests of the chaebol. Also, importantly, the ruling and opposition party members constituted the neo-corparatist body. This forces us to consider another form of political representation, 'tripartism' which, according to Bob Jessop, is a hybrid mode formed through the combination of corporatism with parliamentary (or some other form of) government (Jessop 1979: 193; Grant 1985: 9; Lehmbruch 1979: 149; 1982: 9).

insurmountable. The chaebol were pushed out from the political power bloc. Although the chaebol still preserved a dominant position in the social power bloc, their presence on the political scene was difficult to detect in the wake of the 1997 economic crisis.

There appeared sporadic resistance. Usually after the monthly chairmen's meeting, the FKI used to challenge the government's forced restructuring by arguing that the government was adopting non-market principles. Specially when there was government pressure for Big Deals, the FKI claimed that voluntary restructuring would be much more helpful for enhancing the country's international creditability than the one attained under government pressure (*Korea Herald* 16/10/1998). And free-market advocates in the chaebol-associated institute, the Center for Free Enterprise (CFE), levelled harsh criticism at government officials by publishing a report which labelled a group of intellectuals and bureaucrats as 'anti-liberal'. But all of this could not threaten state power. The chaebol's demise was expressed in various forms: internal disputes were constant;[7] one of the ardent spokesmen for the chaebol left the circle; [8] many corporate heads lost their jobs; former titans of Korean business disappeared; some were travelling abroad; and others went to jail for misdeeds. Daewoo chairman, Kim Woo Jung, was a dramatic example of the collapse of the chaebol. He fled South Korea in 1999 after the Daewoo empire collapsed under $80

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[7] In July 1999, a chaebol-funded think tank, the Korea Economic Research Institute (KERI), released a report taking issue with the emperor-like management style of chaebol chairmen. The KERI articulated in a report that chaebol chairmen responsible for managerial failures should be forced to step down. The report immediately created a stir in the local business community, as it was seen as targeting Samsung Group chairman Lee Kun Hee, who had been under mounting criticism for his failed bid to venture into the automobile industry (*Korea Herald* 12/07/1999).

[8] Kong Byung Ho, touted as the most ardent supporter of the chaebol, was the head of a think tank of the chaebol, the Center for Free Enterprises (CFE). He was an enthusiastic advocate of chaebol interests and stood in the front line when attacking government policy. When he left the institute, his departure was perceived as a defeat of the spokesman (*Korea Herald* 21/03/2000).

billion of debts, leading to accusation of embezzlement during his chairmanship. The international police liaison agency (Interpol) tracked his movements around the world.

The chaebol's disintegration was apparent during the election process of a new FKI chairman. The FKI drifted into a leadership vacuum after Daewoo chairman Kim Woo Choong's resignation on 8 October 1999. Kim Woo Choong quit his chairmanship of the FKI when Daewoo was found to be in deep financial trouble

The search was on for a successor to Kim Woo Choong as chairman of the FKI. Top chaebol chairmen were proposed as candidates, but all of the Samsung, LG and SK chairmen refused. Indeed, in the pre-1997 crisis period, the FKI was the symbol of the chaebol's unity and power and its chairman post was highly coveted by chaebol owners. In the past, chaebol tycoons competed feverishly to win the FKI chairmanship. A chairman of FKI was synonymous with the leader of the nation's entire bourgeoisie. The situation changed following the new era of state offensive against monopoly capital. The chairmanship was no longer attractive because the occupier of the post had to face the government pursuing anti-chaebol policies.

Hyundai chairman, Chung Mong Koo, became the most likely candidate after he strongly hinted that he would assume the chairmanship. However, the government appeared determined to prevent any chairman of the top chaebol from becoming the FKI leader on the grounds that the FKI should be transformed to better represent the interests of the entire industrial sector. The government, in an effort to accelerate the pace of corporate restructuring, pushed for the appointment of a non-business figure or a non-top five chaebol chairman. The Hyundai chairman, sensing the growing opposition among government officials, finally vowed not to seek the FKI chairmanship (*Donga Ilbo* 07/02/2000).

As an emergency measure, Kyongbang Group chairman, Kim Kak Choong, was asked to fill the vacancy. Kim Kak Choong, the chairman of the mid-sized textile maker Kyungbang Group, was chosen in November 1999 as an interim FKI head to fill the remaining tenure of his predecessor Kim Woo Choong. In February 2000, when the tenure of its interim chairman was to expire, the FKI had to choose a new chairman. The FKI was set to elect its new chairman in a general meeting on 17 February 2000, but with the election day less than a week away, no clear candidate was on the horizon. Apparently burdened by uncomfortable capital-state relations, chairmen of all major chaebols were reluctant to assume the post of FKI chairman. Some FKI executives pushed again for the election of Hyundai Chairman Chung. But he declared he was not interested in the FKI chairmanship preferring to concentrate on the management of Hyundai Motor (*Chosun Ilbo* 07/02/2000). And another potential candidate, SK Group Chairman, Son Kil Seung, clearly expressed his intention not to seek the post. Finally, on 15 February 2000 FKI chairmen and advisory groups chose acting Chairman Kim Kak Choong to officially fill the post (*Chosun Ilbo* 16/02/2000).

Another piece of evidence of disintegration of the chaebol was that the FKI's monthly chairmen's meeting was boycotted by the top-four chaebol chairmen. For example, for the meeting in February 2000, among the top ten groups, only two chairmen from seventh largest (Ssangyong) and ninth largest (Kumho) were on hand, while none of the top-four group chiefs attended. It was speculated that the boycott was closely linked to escalating inter-chaebol disputes and conflicts (*Korea Herald* 11/02/2000). LG Group Chairman Koo Bon Moo was said to have stayed away from all FKI-sponsored events, apparently due to grievances about the FKI-arranged takeover of LG's semiconductor unit by Hyundai Group. Samsung Group Chairman,

Lee Kun Hee, was said to have boycotted all FKI meetings since a FKI-affiliated institute demanded the retirement of all 'failed' managers in a report, indirectly referring to the bankruptcy of Samsung Motors (*Korea Herald* 11/02/2000).

6.3 The Departure of the IMF and the Political Weakness of the Regime

The chaebol underwent a serious setback, but they were not completely excluded from the social power bloc in Korean society. The setback was (at most) a conjunctural erosion of monopoly capital power, which was a retreat from the political power bloc following the 1997 crisis. As the chaebol occupied an invariable position in the social power bloc, they were supposed to re-enter into the political power bloc anytime they succeeded in their political struggle.

The chaebol eventually gained momentum and reappeared on the political scene in the second half of the Kim Dae Jung regime. The year 2000 was a turning point for the ascendancy of chaebol power. The departure of the IMF inevitably led to the political weakness of the regime. The Kim Dae Jung regime held the mandatory policy consultation meetings with the IMF on eleven occasions in the wake its application for the bailout loans in late 1997. The consultation agreement expired in December 2000 after the final instalment of the loans was infused into the country's economy. The country regained its foreign confidence and graduated from the IMF trusteeship to get back its economic sovereignty. However, the graduation heralded a rough period for the minority regime confronted with the mighty opposition political forces.

Moreover, unfortunately for the regime, the state project to compensate the political weakness turned out to be a failure. The result of the April election did not give the ruling regime a political foundation on which to achieve the unity of state power to confront opposition forces. Ruling party efforts to overcome the regional

bias by launching 'political realignment' did not contribute to any remedial political stability. Instead, following the general election, the regime lost its enthusiasm for pursuing the political realignment. The structural constraint resulting from the political weakness, i.e., the *form* of 'fragile state unity', was to be a binding force shackling the operation of the Kim Dae Jung government. The minority government was about to face formidable defiance from the opposition forces.

The second half of the regime started with the eruption of the political confrontation of the two main opposing political forces in Korean society. The confrontation, which had been contained under the national-popular patriotism during the period of national crisis (as will be seen in chapter eight), began to erupt as the two main axes of political forces noticed the departure of the powerful external forces. One axis was the progressive forces constituting the ruling MDP, the government, and the civic associations. In relation to chaebol reform, this force was an anti-chaebol force supporting a strong form of intervention to forge the substantial chaebol reform. The other axis was the conservative forces composed of the main opposition GNP and three major conservative newspapers- *Chosun Ilbo, Dong-a Ilbo*ˊ and *JoonAng Ilbo* which together accounted for 75 percent of the newspaper market. The three papers held critical views on the reconciliatory North Korea policy and chaebol reform programs. The showdown was displayed in the two terrains of the ideological conflict and the tax probe on media companies.

6.3.1 Widening Ideological Cleavage

The ideological division of the Korean peninsula has consistently been the most important factor influencing Korean politics since the 1950-53 war. As seen in chapter four, the south-north summit meeting created internal disputes within the South Korean population. Domestic tension between the two axes started to develop

around the ideological cleavage in the wake of the historic summit meeting between the two South-North Korean leaders.

The opposition GNP leader, Lee Hoi Chang, the representative of the conservative forces, opposed Kim Dae Jung's 'Sunshine Policy'. He criticised the North Korean regime's eagerness to develop nuclear arms, and urged the application of 'mutualism' in seeking inter-Korean cooperation. He argued that Kim Dae Jung's appeasement policy towards the North entailed sacrifice on the part of the South without creating mutual cooperation on the part of the North.

In response to this conservative attitude, North Korea strongly slandered Lee Hoi Chang and South Korea's former president Kim Young Sam, who condemned Kim Dae Jung's (his life-long political rival) Sunshine Policy (*Donga Ilbo* 14/07/2000). The North's attack was also levelled against *Chosun Ilbo,* a mass-circulation daily newspaper with an argumentatively conservative tone on inter-Korean affairs. The leading conservative newspaper was outspoken in its opposition to unification under the North Korean system and ideology. It claimed that the North Korean regime could not be the counterpart for negotiation for the future of the country. The North launched a verbal attack on the daily paper through its outlets, the state-controlled Pyongyang Radio station. It called the paper 'a stumbling block to the road to national unification,' and said that 'It is the natural course of things to blow up such stumbling blocks' (*Hankyoreh* 10/07/2000). Moreover, the North Korean leader Kim Jong Il openly expressed his displeasure with South Korean conservative newspapers, especially the hard-core anti-communist *Chosun Ilbo*, for their strong anti-North Korean editorial comments.

The North's provocative denunciation of the conservative political leaders and newspaper company caused internal verbal wars in South Korea. The conservatives

criticised the progressives for encouraging the arrogance of North Korea's Kim Jung Il regime. The ideological tension went beyond the dispute of the 'Sunshine Policy'. The political offensive was launched at a broad range of government policies. The opposition party attacked the government, berating its policies as 'socialist'. GNP chief policymaker, Kim Mahn Je, citing medical reforms and various welfare policies, criticised President Kim Dae Jung for employing outdated socialist policies that other countries abandoned long ago (*Hankyoreh* 24/07/2001). Such 'red baiting' has always had powerful political appeal to the South Korean population who experienced the bloody ideological conflict of the 1950-53 war. Meanwhile, as reviewed in chapter four, this ideological confrontation posed a serious threat to the unity of the coalition government. As an apparent warning to the MDP, the conservative coalition partner ULD maintained that it would seek cooperation with the GNP in political affairs.

6.3.2 Tax Probe on Media Companies; Press Reform or Suppression on Press Freedom?

This ideological confrontation was intermingled with the hectic issue of the tax probe on the press companies. The issue divided the population throughout the year. The announcement of the Seoul District Tax Administration in February 2001 that it planned to conduct tax probes into Seoul-based mass media firms for two months starting on 8 February indicated that the big clash between the majority conservative forces and the minority progressive forces in Korea was imminent (*Hankyoreh* 01/02/2001). The print and broadcast media were about to be put under microscopic review. Their advertisement income, expenses, wages and other financial transactions for the first time in seven years (since 14 major media firms underwent such probes in 1994 under the previous Kim Young Sam government) would be investigated. The plan was consistent with an earlier statement of President Kim Dae

Jung. He had mentioned in a New Year press conference that there was a need for the restructuring of the mass media in response to public demand for the reform of the last sector that had been spared from the all-encompassing restructuring (*Hankook Ilbo* 01/02/2001). In view of the *form* of 'fragile state unity' and the failed state project, Kim Dae Jung's determination was a big political gamble.

Major civic groups, the important allies of the regime, welcomed the plan of the Tax Administration, arguing that press companies were also corporations seeking economic gain and should not be excluded from tax probes. From the civic groups' view it was usual practice for media owners to infringe on editing decisions to give stories their own slant. They thought that some press companies had collaborated with military regimes and were nothing more than the spokesmen for the majority conservative forces opposing the reform policies of the incumbent government. They resented past wrongdoings and the present arrogance of the powerful media. The three newspapers, *Chosun Ilbo, Joongang Ilbo,* and *Donga Ilbo,* were considered to be the most conservative and were occupying the central position constituting the axis of the conservatives in Korea (Kang 2003: 269-273). They stressed the need to reform the press for ensuring fair reporting, editorial independence and managerial transparency.[9]

The major opposition GNP reacted immediately. It contended that the tax probe was a politically motivated attempt to gag the media outlets that were critical of

[9] In the midst of the confrontation, the civic organisations were a useful ally for the ruling government. In July 2001, when two axes were in the culmination of showdown, many reform-minded and progressive civic organizations issued public statements in support of the tax audits on media companies. Among these organizations were groups of former dissidents and activists for democracy and human rights. These organizations included the Catholic Priests Association for Justice (CPAJ), the Association of Writers for National Literature, the Solidarity Network, an umbrella organization, embracing more than 270 citizen groups, and an ad hoc group of more than 1,000 members of the Korean clergy. In addition, there were professional journalism groups such as the National Movement for Press Reform, the Journalists Association of Korea and the Federation of University Paper Reporters (*Korea Times* 30/07/2001).

government policies and was a ploy to oppress the mass media in order to hold on to power beyond the 2002 presidential election. The GNP instantly formed a special committee to reject what it called the government's bid to 'control press circles' (*Hankyoreh* 05/02/2001). The MDP countered the opposition, arguing that the public supported the government's intention to conduct a legal tax probe. It stressed that no company was immune from tax audits and the tax probe was not aimed at taming the press. It went further by suggesting revision of the existing publication registration law to ensure separation of ownership and management in the media, which would guarantee editorial independence from abusive media owners.[10]

Despite this fierce confrontation, the regime pushed ahead. The National Tax Service (NTS) launched a general audit of public and private media outlets in February, including major dailies, such as the *Chosun Ilbo, JoongAng Ilbo, Dongah Ilbo*, and *Hankook-Ilbo*. More than 400 tax officials were mobilized to inspect their accounts over the past five years. The Fair Trade Commission (FTC) also conducted probes into fifteen press companies to determine whether they engaged in irregularities regarding advertisement sales and monopolistic positions in the market. On 20 June 2001, the NTS revealed that the firms were found to have failed to report a combined 1.36 trillion won in taxable income during 1995-2000. The tax office ruled that they should pay 505.6 billion won in penalty taxes (*Hankyoreh* 21/06/2001).

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[10] The dispute over the tax probe was sparked as the MDP and the GNP clashed over a report in a weekly magazine, which was allegedly made on the basis of leaked documents from the MDP. In February 2001, the weekly *Sisa Journal* reported that three documents from ruling party sources analysed the nature of the country's major daily newspapers in detail. The magazine quoted the documents as classifying the major newspapers into three categories according to their editorial preference: anti-government, neutral and pro-government dailies (*Korea Times* 14/02/2001). In October the partisan fight over the probe was intensified following the publication of a book written by a journalist of the *Hankyoreh* newspaper which included senior officials' statements on the tax probe. According to the book a ranking official in the presidential office was quoted as saying that 'The tax probe is a matter of life or death for the Kim government. That's why we replaced all officials at the National Tax Service with people from Cholla Province.' Cholla Province is President Kim's hometown and his regime's stronghold (*Korea Herald* 26/10/2001).

And following this revelation the NTS filed complaints against twelve people from six newspaper firms on 29 June 2001, wrapping up its four-month-long investigation into the 23 Seoul-based media outlets, and on 4 September 2001 the Seoul District Prosecutor's Office indicted six owners, twelve top executives and a tax official of six newspaper companies on charges of tax evasion and embezzlement (*Hankyoreh* 05/09/2001).

The tax probe divided the whole nation into two axes of confrontation throughout 2001. The GNP alleged that the tax audit was aimed at catering to North Korean leader Kim Jong Il by muzzling newspapers critical of President Kim Dae Jung's engagement policy toward the North. Some members of the GNP alleged that the government embarked on the tax probe in an effort to meet Kim Jong Il's demand for silencing certain hard-core conservative newspapers (*Hankyoreh* 16/07/2001).

By the summer, the clash had developed into a war. The rival parties took to the streets to win public support across the major cities in the country. They launched their respective nationwide campaigns to publicize their versions of the truth about state affairs and to win back the hearts and minds of the public. The GNP launched an on-site investigation of the controversial media tax probe, sending its special committee members to the NTS to demand the disclosure of documents related to the tax audit. Furthermore, it threatened to seek the impeachment of President Kim Dae Jung in the parliament over his mismanagement of economic affairs, North Korea policy and the media tax audit (*Hankyoreh* 26/07/2001). In a full-blown counterattack against the opposition over its threat to impeach President Kim Dae Jung, the MDP urged Lee Hoi Chang, president of the opposition GNP, to retire from politics. The war over the media reform did not pit the ruling camp only against the opposition. It also created many battle lines: the government vs big newspapers; the big newspapers

vs civic groups; and the big newspapers vs smaller newspapers. The three conservative papers were under heavy attack from smaller, more liberal papers such as the *Hankyoreh* and *Kyunghyang*. They accused the so-called 'Big Three' of exploiting the freedom of the press to protect their commercial interests and privileges.

The confrontation unfolded towards decreasing popular support for the ruling regime. Regardless of the legitimacy of what the government called 'press reform' the offensive against the press was a politically risky reform drive. The tax probe attracted international attention. In April 2001, an international group expressed concern about the tax probe. Reporters Without Borders (RSF) conveyed its concern about the media tax probe and the violation of pluralism of information in a letter addressed to the Korean Minister of Culture and Tourism (KMCT)[11] (*Kukmin Ilbo* 13/04/2001). In May 2001, the Vienna-based International Press Institute (IPI) sent a letter to President Kim Dae Jung, criticizing him for attempting to 'muzzle the critical voice of the independent press in South Korea' in the name of press reform[12] (*Kukmin Ilbo* 17/05/2001). In July 2001, the battle over the media probe again turned against the government. On July 16, eight U.S. congressmen sent a letter to President Kim conveying their fears about the suppression of press freedom in Korea (*Kukmin Ilbo* 19/07/2001).

The situation became worse for the ruling regime. The Korean Bar Association (KBA) adopted a resolution criticising the government for its reform drive (*Donga Ilbo* 24/07/2001). It said that the reforms repressed the principle of law

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[11] RSF is a French acronym. The organisation was founded in 1985 to support jailed journalists and work for press freedom throughout the world.

[12] The Korean government's tax probe became the focus of international attention. Contrary to the IPI attitude, the International Federation of Journalists (IFJ), which represents 450,000 members from 143 media outlets in 105 nations, held its five-day international congress in Seoul in May to support the government's tax probe.

and ignored legitimacy and fairness in carrying out its reforms, relying on power rather than on law, and favoring particular interest groups. These successive international and domestic developments were gradually turning public support away from the tax probe, spreading apprehension over what was the true motivation of the probe. [13] The deepening polarization between the conservatives and the progressives arrived at its peak around August 2001. It invoked public concern about national unity. Senior leaders of the country noticed in August 2001 that the tax investigation was seriously splitting the national opinion. They raised their voices to express concern about the deteriorating confusion of the country. Leaders from academic, religious, legal and civic groups asked the government and the ruling party to come up with measures to overcome the social chaos triggered by the tax probe into media companies (*Donga Ilbo, Chosun Ilbo,* and *Hankyoreh* 03/08/2001). They concurred with the public suspicion that the probe did not proceed free of political motivation. Their demand was an immense political blow to the Kim Dae Jung regime because they had maintained a relatively middle-of-the-road stance amid the chaotic confrontation between conservatives and progressives. The government managed to complete the tax probe by prosecuting top executives on charges of tax evasion and embezzlement. However, in a structural sense, the political initiative could not be efficient and powerful enough to pre-empt the majority conservative political forces which had ruled the country for fifty years by the time of the 1997 presidential election.

6.4 The Retreat of the Chaebol Reform

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[13] Although support was high for the legal action against the media owners, the public began to suspect the political intentions of the tax probe. According to a July 2001 survey, 63 percent of the respondents supported the tax office's legal action against some newspapers and their owners. But it showed that 56 percent agreed that the tax probe was an attempt to oppress media firms critical of the government (*Korea Herald* 03/07/2001).

6.4.1 The Development of the Clash and the Chaebol Reform

Around May 2001, the sign of the chaebol's recovery became clear when the chaebol challenged the economic policies of the government. They chose the policy of 'equity investment ceiling' as the main target of their attack.

The equity investment ceiling system prevented each affiliate of the top thirty chaebols from conducting equity investments of more than 25 percent of its net assets. This ceiling system was in line with the principle of 'improving financial structures of the chaebol' in the so-called '*Five Plus Three'* principle. The 25 percent equity investment ceiling had been abolished in February 1998, as part of the government's effort to eliminate counter-discrimination with the pending approval of foreigners' hostile M&As in Korea. But leading chaebol groups abused the free inter-unit investments to lower their debt ratios in the books and funnel capital from strong units to weak sister companies. In the end, the Fair Trade Commission decided in late 1999 to revive the 25 percent ceiling, effective 1 April 2001, in a bid to deter the chaebol's excessive diversification and lead them to focus on core businesses.

Whereas the government insisted that the investment ceiling was needed to accelerate corporate restructuring, the chaebol complained that the investment regulations were actually deterring restructuring and fresh investments in promising fields. The chaebol and their lobbying associations began to become increasingly bolder in attacking the government drive to improve corporate governance and ownership structures. In May 2001, capital began an attack on the government policies. Park Yong Sung, chairman of KCCI, criticised the government for preserving the ceiling system, saying that it was not desirable to prevent chaebol from investing more than 25 percent of net assets. Jwa Sung Hee, director of KERI, a chaebol-associated research institute, called for deregulation to help revitalize

business activities. In an even bolder challenge, attacks on the government took on an ideological overtone reflecting the on-going confrontation in Korean society. The chief of a pro-chaebol think tank accused the government of joining the socialist forces (with civic and labour activists) to suppress chaebol owners (*Hankyoreh* 08/05/2001).[14]

At their regular monthly meeting, as a concrete step to realise the chaebol's interests, the FKI produced a resolution in early May 2001 calling for improvements in the government's corporate policies on the grounds that deregulation on the part of the government would breathe life into the business community. Following this resolution the FKI conveyed 33 proposals to the government and the ruling MDP on deregulation in the following fields: macro-economy, finance, taxation, governance structure, fair trade, exports, and labour (*Hankyoreh* 16/05/2001). The most important suggestion was the lifting of the equity investment ceiling system and the abolition of the government's classification of the thirty largest chaebols.[15]

This move of the chaebol was accompanied by political support from the GNP, the biggest force in the parliament. Indeed, business interests cannot be studied without considering its relation to political parties.[16] Political parties and business

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[14] Min Byoung Kyun, president of the CFE, fired a barrage of salvos at the government for its pursuit of economic reform under pressure from or through alliance with progressive labor union, teachers union and non-governmental organization. He alleged that the government was joining hands with leftist forces like the KCTU and other civic organizations undermining the very foundation of the capitalist economic system. And further he insisted that it was high time for the sound conservative forces to raise their voices to protect the market economic system.

[15] Since 1987, the FTC classified the 30 largest chaebols, and every year since 1993 the names of the thirty top chaebols were announced. Those classified were subject to various regulations and requirements.

[16] Two distinct approaches to the study of interest groups have emerged. In the United States, the study of pluralism has focused primarily on interest group origins and membership; the maintenance, organization, activities of groups; and the political consequences of groups. While the field of American politics has been influenced by pluralism, other regions have been preoccupied with corporatism (Durand 1994). The association between parties and business has been a particularly popular object of study. McQuaid studied big business in American politics on the assumption that politicians are businessmen, and businessmen politicians– not because of abstract desires but because

groups are the main political intermediaries in large democracies. The GNP was a parliamentary stronghold of the chaebol in the sense that political parties are incorporated into interest associations, associations into political parties (Grant 1985: 29). The GNP and the chaebol were together the pivotal forces which established a Korean model of economic development during the period of rapid industrialisation. Their close political alliance was rooted in the Korean, broadly East Asian, model of political economy in which the links between politicians in power and businessmen unquestionably facilitated the rise of the chaebol. The GNP members composed the old hegemonic forces of the country which ruled the country prior to the ascendance of Kim Dae Jung. As seen in chapter three, they created and developed the structure of the 'quasi-internal organization'. The 'political business' of the chaebol was a constitutive factor in the formation of the structure in which the government, banks, and the chaebol functioned as a monolithic body.[17] It led to the weakness of the national financial system, creating the clientelistic partnership which some regard as an underlying cause of the 1997 financial crisis.[18] In the wake of the '97 national crisis the non-hegemonic forces led by Kim Dae Jung snatched state power, and consequently both the old hegemonic forces comprising the GNP and the chaebol had to suffer the political setback, however, with their alliance still intact.

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of concrete requirements. He categorises the symbiosis of politicians-businessmen into three types of *parasitic, mutualism,* and *commensualism* (McQuaid 1994; Lehne 2001). Focusing on British capitalism, Boswell and Peter argue, for the same reason, that the controversies about capitalism can not be fully understood without reference to the roles and attitudes of the business class, in particular the top controllers of industry, distribution and finance, and the leaders of organized business (Boswell and Peter 1997). Babb studied the relationship between politics and business in Japan by focusing on the specific 'agents' of the relationship rather than on general structural imperatives (Babb, 2001). The case studies in the third world countries were conducted by Kochanek (Kochanek, 1993; 1983).

[17] The collaboration between politicians and businessmen in East Asia is popularly referred to as 'cronyism'. But some developed the concept 'political business' to analyse the various forms of links between politics and business that can have a positive or negative impact on local economies and political systems (Gomez 2002).

[18] A plethora of literature has been produced regarding the factors that lead to crony capitalism (Duckett, 1998; Gomez 1994; Hutchcroft 1998; Lee 1997a,1997b; McLeod and Garnaut 1998).

In May 2001, the GNP reshuffled senior posts and Kim Mahn Je was named as its new chief policy maker (*Chosun Ilbo* 10/05/2001). Kim Man Je was the former deputy prime minister for economy under the previous authoritarian regimes and one of the pivotal figures in establishing the chaebol system in Korea. Kim Mahn Je harshly criticized the government for trying to break apart the chaebol without considering the strengths of the chaebol system, which had been in place for more than thirty years. The GNP represented the interests of the chaebol, urging the government to abolish the uniform 200 percent debt ratio policy, ease investment restrictions and improve the present system that sets investment limits on affiliates within the same group. It further proposed a set of deregulatory measures for the chaebol and called for a comprehensive review of government policy.

Although the ruling MDP maintained that the ongoing chaebol policy to increase the international competitiveness of the economy should be continued without pause, the worsening economic situation that began in 2001 was unfolding in favour of the opposition party prodding the government into taking action. Responding to growing demands from the opposition forces and facing economic difficulty the government had to engage in discussion with business leaders to review the overall business environment, fair trade, taxation and finance to boost exports. Citing the dropping of investments and exports, business leaders proposed that the government ease a range of restrictions imposed on the top 30 chaebols in terms of assets (*Hankook Ilbo* 21/05/2001).

Soon, the GNP pressed the government into a policy consultation. The ruling and opposition parties and the government conducted a brainstorming session to think of remedies for the nation's economic difficulties (*Hankook Ilbo* 10/08/2001). They agreed to forge bipartisan support for an economic recovery, but clashed over the

government's future economic policies on finance, tax reduction, regulations on chaebols, and corporate restructuring. They were especially embroiled over the future direction of chaebol policy. While the GNP members called for deregulation of chaebols to encourage large conglomerates to make more investments in industries, the MDP legislators accused them of trying to renege on the chaebol reform policy, supporting the government's position to regulate the top thirty conglomerates (*Joongang Ilbo* 10/08/2001).

Meanwhile, the formation of the new economic team in 2000 indicated an acceleration of the retreat of the chaebol reform. Kim Dae Jung's earlier strong commitment to the chaebol reform weakened as the consultations with the IMF were coming to an end. Instead of pushing ahead the economic reform drive, he wanted his achievement of 'graduation from the IMF' recognised by the Korean population and preferred preserving the stable management of the nation's economy. His attention began to shift from the economy to the South-North Korean issues and his realisation of the political weakness following the abortion of the state project led the President to consider compromise with the GNP and the chaebol.[19] Moreover, the worsening economic situation was an important factor in blocking the reform drive. A combination of all these elements had brought about a new style of economic team. In August 2000, the fourth economic team was launched with Jin Nyum as the head of the Finance and Economy Ministry. Kim Dae Jung decided to work with Jin Nyum who was adroit and well-experienced, although Kim Choing In, a reform-minded economist, was a competent candidate for the economic post. Jin Nyum's determination to innovate and press reforms was doubted. He had often been called

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[19] I conducted several interviews with government officials in September 2003 including Kim Tae Dong, who was the Senior Presidential Secretary for Policy Planning. Many of the interviewees wish to remain anonymous.

'the chaebol's scholarship student', since his 'brilliant' career in previous governments was supported by the political forces affiliated with the chaebol.[20] He had also been criticized for not having fully conducted reforms in the public sector as the minister of Planning and Budget. Thus, given the fact that the post of Finance Economy Ministry was promoted to deputy prime minister for finance and economy (according to the revision to the Government Organization Act), it became increasingly doubtful whether the minister who lacked commitment to economic reform would continue to stick to the chaebol reform.[21]

Seeking to mend past wounds with the chaebol, Jin Nyum and his new economic team began a full-fledged effort to cement ties with the business world. They set up dialogue channels to facilitate cooperation with the business community. In a meeting between the minister and the leaders of the five major business associations, chaebol leaders asked the government to loosen its stranglehold on the corporate sector (*Donga Ilbo* 22/08/2000).

The consequence of the series of policy consultations with business leaders and opposition party members was that the undisputed chaebol policy of the Kim Dae Jung regime began to face a serious and coordinated counteraction from the chaebol and its friendly GNP party. During the IMF period the coordination between the government and IMF was the unshakable foundation on which the government wielded the strong form of intervention for chaebol policy. However, with the IMF gone, the alliance between the chaebol and the GNP emerged as the most powerful variable to shape the future course of the government chaebol policies. Now the remaining question was to what extent the government would accommodate the

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[20] Interview with the key figures of the anti-chaebol forces including Kim Sang Jo, the President of Centre for Economy Reform, People's Solidarity for Participatory Democracy (PSPD).
[21] Kim Dae Jung elevated the post of the Ministry to strengthen the efficiency of the economic team and gave the deputy prime minister the authority to coordinate various economic agencies in the policymaking process.

chaebol demands. Without the support of the international organisation the vulnerable government found it politically untenable to turn down the demands of the chaebol, whose political interests were supported by the biggest parliamentary forces.

6.4.2 The Break-up of the Balance of Power and the Retreat of the Chaebol Reform

The tight balance between the ruling party and the opposition broke up in the wake of the demolition of the coalition government and the internal crisis of the ruling MDP. We saw in chapter four the process leading to the demolition of the coalition alliance between the MDP and the ULD. This fragile partnership was put to the test following the unexpected incident where the South Korean delegation was involved in a joint Liberation Day ceremony in North Korea. The incident cornered the Kim Dae Jung regime. The ULD's support for the GNP-led motion in the National Assembly against Lim Dong Won led to the breakup of the three-year political alliance.

The internal crisis of the MDP once again crippled the ruling regime. The result of the by-elections was a massive blow to President Kim Dae Jung and the ruling MDP. The main opposition GNP swept all three parliamentary special elections. This complete defeat led to the intensification of bitter internal strife in the MDP. As a desperate measure to save his party, Kim Dae Jung announced his resignation as head of the ruling MDP. His resignation meant no formal support from the ruling party for the Kim Dae Jung government.

As state policies are subject to the changing balance of the political forces, the chaebol reform was to undergo the shift transition from the strong form of regulation to the direction of deregulation representing increasing political interests of the chaebol. In October 2001, the government finally decided to overhaul the investment limit on the top thirty chaebols, taking a step closer to lifting the restriction. In November 2001, the ruling MDP and the FTC unveiled a plan to lift the regulatory

designation of the nation's top thirty chaebols and soften their investment restrictions (*Joongang Ilbo* 20/11/2001). Despite strong criticism from NGOs monitoring chaebol policy, the shackles of the chaebol became loosened due to the successful alliance with the GNP against the government.

The November 21 policy consultation between the government and the opposition party in the opposition party headquarters was a symbolic indication of the break-up of the balance of power contested throughout 2001 between two political forces. The dominance of the opposition was revealed through the form of policy consultation between the government and the GNP. At the November 21 meeting, the government and the GNP held a bilateral policy consultation concerning the government's regulations on the nation's top thirty chaebols at the GNP's party headquarters. The purpose of the meeting was for the government to give a briefing on the revised bills reflecting the views of the two parties. It was to get approval of the majority opposition before those bills were presented in the National Assembly in the following month. It was the first policy consultation meeting between the government and the GNP without the presence of the ruling MDP since President Kim resigned as head of the ruling party earlier in November 2001.

With the ULD coalition broken and the political support from the MDP absent, the government accepted the opposition party as the biggest partner for state management. The meeting was a symbolic event in that it showed the formation of a new relationship between the government and the opposition GNP. Since the IMF left Korea, the government and ruling and opposition parties often held meetings where the three sides needed to make concessions to come up with a unified policy plan. However, as seen in the comment by Kim Mahn Je, GNP chief policy maker, that "the main concern of the government-opposition council this time is to have the GNP's

position primarily adopted in the government bill" (*Korea Times* 21/11/2001), the GNP became the closest partner to the government in designing chaebol policies. The authoritarian form of state intervention in the first half of the regime became completely replaced by the powerless subjection of the regime to the opposition forces, with the GNP as a new partner replacing the role of the old partner, the IMF. [22]

Those bills briefed in the consultative meeting were passed in the National Assembly on 21 December 2001. They contained the retreat of chaebol reform policy. The new law lifted the regulatory designation of the nation's top thirty conglomerates and softened their investment restrictions. According to the new law, the investment restrictions limiting total equity investments in affiliates to less than 25 percent of the group's net worth was to apply only to the seventeen groups with assets exceeding five trillion won ($3.8 billion). It meant that chaebols with assets exceeding five trillion won would be subject to the investment restrictions. The other thirteen conglomerates would be freed from the regulation. In addition, the new law made only 38 companies with assets exceeding two trillion won subject to a ban on cross-equity investments and debt payment guarantees. Another important setback of chaebol reform the new law entailed was the lifting of the regulation banning chaebol's secondary financial firms from exerting voting rights over affiliates. The chaebol had insisted that the regulation limited free business activities and invited foreign companies to takeover domestic financial firms. Although the deregulation in favour of the chaebol came under fire from civic groups on the grounds that they were

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[22] Ironically, the GNP was enjoying too much domination in the government-opposition relationship to be happy about 'the consultative meeting'. GNP members preferred to call the meeting 'an explanatory meeting' trying to avoid the term 'opposition-government consultative meeting' In response to press reference to the meeting as 'the consultative meeting', GNP members said that the GNP as an opposition party was not supposed to consult on policy with the government, and that it could get difficult for the GNP to check and criticize the policy failure of the government if the meeting was called a consultative session (*Korea Times* 21/11/2001).

expected to utilize unlisted concerns in the secondary financial sector as actual holding companies to exert management rights over the entire business fleet, the government had to yield to pressure from the chaebol.[23]

The passage of those bills in December 2001 meant the reversal of the chaebol reform. Since then, some important chaebol reform measures have been abandoned and anti-chaebol political forces experienced a series of defeats in their chaebol reform drive: For example, the introduction of the securities-related 'class action suit system', [24] considered to be an imperative policy objective to enhance the transparency of the corporate governance system, was frustrated. In June 2001, Deputy Prime Minister Jin Nyum stressed that the government would introduce a securities-related class action suit system even if the business community opposed it. He added that the government would revise the relevant laws during the incoming regular parliamentary session (scheduled to start in September 2001) in order to phase in a new litigation system from 2002 (*Joongang Ilbo* 01/06/2001). However, the FKI was determined to resist the introduction of the system. The FKI expressed that it

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[23] The Monopoly Prevention and Fair Trade Law banned financial institutions and insurance companies affiliated with the top thirty chaebol from exercising the voting rights of their shares in intra-group sister firms to prevent chaebol-affiliated financial operations from using customers' money to help their parent firms diversify into new business areas or bolster control over in-group firms. However, according to the FTC, chaebol-affiliated financial institutions illegally exercised the voting rights of their shareholdings in group firms. In July 2000, the FTC launched the investigation of 77 chaebol-associated financial institutions and found that eight firms violated this regulation. The eight were: Samsung Life Insurance, Hyundai Life Insurance, Hyundai Capital, Hyundai Securities, Ssangyong Fire & Marine Insurance, Hansol Capital, Tong Yang Merchant Bank and Tong Yang Card Co (*Korea Herald* 28/07/2000).

[24] The introduction of the system consists in improving corporate governance by strengthening the rights of minority-shareholders who are, for instance, those that do not have the financial resources to file individual lawsuits. The system would allow those people to band together in a class action to fight for compensation when false public disclosure by a listed company causes widespread damage to those victims. The chaebol resisted the introduction of the system on the grounds that companies could be frequently abused by false claimants seeking monetary gain. They argued that permission to file class action suits would turn the nation into a "land of litigation" and few corporations would be able to survive such litigious harassment. However, the government and civic associations claimed that the chaebol's concern was evidently exaggerated because no more than sixty-five companies could become the target of class action suits under the particular bill the government was framing at that time (*Korea Herald* 08/06/2001).

would not accept the class action system, which it claimed could deliver a devastating blow to businesses. SK Chairman, Son Kil Seung, pointed out that there were criticisms of the class action system even in the United States and that introducing it in Korea would be devastating for corporations (*Korea Times* 08/02/2002). The bill for the introduction of the system drafted by the government and the MDP was submitted to the National Assembly in December 2001. But the bills failed to pass the opposition-controlled National Assembly in February 2002. It was again demonstrated that the GNP-dominated parliament was the stronghold of the pro-chaebol political forces.

Contrary to the abortion of the anti-chaebol bills, a pro-chaebol bill was passed in the parliament in April 2002. A new law allowed the nation's fifty largest industrial conglomerates to possess up to a 10 percent stake in banks, lifting a long-held regulation limiting stakes in banks to 4 percent.[25] Indeed, the new policy trend toward deregulation measures for the chaebol became an accepted policy line when newly named Deputy Prime Minister, Jeon Yun Churl, pledged in April 2002 to actively push for regulatory reform for the sake of a favourable business environment (*Hankyoreh* 17/04/2002).

Conclusion

I investigated the form of political representation of the interests of the chaebol and demonstrated that the chaebol's interests were realised through the form of parliamentarism, not through the form of corporatism, due to the *changing form* of the Kim Dae Jung state.

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[25] The revision of the bank law was another important setback of the chaebol reform. In their opposition to the government plan to raise the ceiling on conglomerates' stakes in banks through a revision of bank law, the anti-chaebol forces insisted that the government's plan could turn banks into the conglomerates' private cash cows. They feared that easing ownership restrictions would allow the chaebol to seize control of most commercial banks, which would enable them to use bank funds at will, thus making the entire banking system vulnerable to risks.

In the first half of the regime, the chaebol's interests were hardly represented in the face of formidable state intervention of the neo-liberal government. However, *the change of the form* of the Kim Dae Jung state provided a great structural opportunity for the chaebol. The form of the state presupposes 'structural selectivity' and 'strategic selectivity' which bring out the state's differential impact on the balance of political forces and the strategies which they can pursue (Jessop 1990: 9-10). On the one hand, the *changing form* of the state (i.e., the departure of the IMF and the deepening political weakness of the ruling regime) endowed the chaebol with a favourable structure, providing an opportunity to consolidate the political coalition with the GNP. On the other hand, the changing *form* of the state meant an aggravating structural geography in the state's fighting against the chaebol and the opposition GNP. Moreover, the state project turned out to be a failure. The Kim Dae Jung regime had to pay a high price. The *changing form* of the state and the failure of the state project caused the retreat of the chaebol reform policy.

Capitalising on this favourable situation, the chaebol returned to the political power bloc to implement their business interests in an alliance with the GNP. The chaebol participated in a corporatist table of the KTC. But it was not through the corporatist mechanism that their interests were represented. It was mainly through parliamentary process in the National Assembly where the GNP was the dominant force working for the chaebol.

CHAPTER 7: The ABSENSE OF POLITICAL ALLIANCE AND THE FRUSTRATION OF THE LABOUR UNIONS

Introduction

The *form* of the Kim Dae Jung state, constituted by 'increased labour power', indicated that Korean labour was going to enjoy full blossom of its class power under the Kim Dae Jung regime. Korean labour's optimism was once more enhanced because President Kim Dae Jung was labour's forty-year friend. They were always on the same side in their struggle, not only against the military regimes but also against the previous Kim Young Sam civilian government. Unexpectedly, however, the Korean labour unions suffered intense state repression and failed to attain their objectives under Kim Dae Jung's rule. This unexpectedness raises two major questions: 1) What was the class nature of the Kim Dae Jung capitalist state? 2) Why did not the unions succeed in attaining their goals in spite of the *form* of 'increased labour power'?

The purpose of this chapter is to investigate the unexpectedness. I will first show the unexpectedness in terms of the state's strategy by revisiting the Miliband-Poulantzas debate. I will argue that the class nature of the state depends on the state's strategy at a determinate conjuncture. I will then explore the unexpectedness in the context of the *form* of the Kim Dae Jung state to demonstrate that the Korean unions were placed between two fires; sandwiched between 'exacerbated dependency' and 'fragile state unity'. I will argue that the frustration of the unions resulted from a structural formation of the *form* of the Kim Dae Jung state.

7.1 The Class Nature of the Kim Dae Jung State

7.1.1 The State and the Economic System

Before I investigate the frustration of Korean labour in the context of the *form* of the Kim Dae Jung state I will attempt to clarify the classical problem in state theory: the class nature of the capitalist state. Otherwise we cannot understand the dual aspects of the Kim Dae Jung regime revealed in its relationship with Korean labour during the chaebol reform process.

I have already argued that the class nature of the capitalist state depends on the strategy the state adopts at a determinate conjuncture. Broadly, I support Jessop's argument that state power is capitalist to the extent that it creates, maintains, or restores the conditions required for capital accumulation in a given situation and it is non-capitalist to the extent that these conditions are not realised (Jessop 1982: 221). Although the separation of the political from the economic in the capitalist relations of production gives the state a bourgeois class nature in the final analysis, the separation should not invalidate the proposition that the state could be a bourgeois state or a working class state at a different conjuncture according to its strategic necessity. Without understanding the state as 'the site and subject of strategy' it becomes difficult to understand why the regime (which was called a close friend of Korean labour) ruthlessly swung its bat at the old friend in the first half of the regime and later tried to represent the interests of the unions in the second half. It must be stressed that the dual aspects of the Kim Dae Jung regime can be attributed to a strategic choice of the state as well as to the *form* of the Kim Dae Jung state. I will affirm this point by revisiting the Miliband-Poulantzas debate that provoked intense contention in the field of state theory (Miliband 1970; 1973, Poulantzas 1969; 1976). I will attack the so-called structuralism of Poulantzas's theory in order to highlight the state as the site and subject of strategy.

The debate was ignited when Poulantzas first took issue with some points in Miliband's work, *The State in Capitalist Society* (Miliband 1969). The most controversial in the debate was the issue regarding the class nature of the capitalist state. In the book, Miliband highlights the bourgeois nature of the state by showing that members of the capitalist class occupy the state manager positions in the state apparatus. Miliband then argues that the bourgeois nature of the state comes from a strong class affiliation of the ruling class and personal ties between the state managers and ruling class in the state apparatus.

However, according to Poulantzas, the 'class affiliation' of those in the state apparatus is not crucial to the bourgeois nature of the state. Much more important for Poulantzas is the structural aspect of the capitalist state. Poulantzas says:

> the *direct* participation of members of the capitalist class in the state apparatus and in the government, even where it exists, is not the important side of the matter. The relation between the bourgeois class and the state is an *objective relation*. This means that if the *function* of the State in a determinate social formation and the *interests* of the dominant class in this formation *coincide*, it is by reason of the system itself: the direct participation of members of the ruling class in the State apparatus is not the *cause* but the *effect*, and moreover a chance and contingent one, of this objective coincidence' (emphasis in original) (Poulantzas 1969: 73).

Against this critique, Miliband tags the Poulantzas approach as "a kind of structural determinism, or rather a structural super-determinism which makes impossible a truly realistic consideration of the dialectical relationship between the state and the system" (Miliband 1970: 53). He believes:

> that Poulantzas himself is here rather one-sided and that he goes much too far in dismissing the nature of the state elite as of altogether no account. For what his *exclusive* stress on 'objective relations' suggests is that what the state does is in every particular and at all times *wholly* determined by these 'objective relations': in other words, that the structural constraints of the system are so absolutely compelling as to turn those who run the state into the merest functionaries and executants of policies imposed upon them by 'the system' (emphasis in original) (Miliband 1970: 53).

For all my sympathy for Miliband's rejection of what he calls 'structural super-determinism', however, it must be stressed that I cannot wholly support Miliband because his critique is not based on highlighting the problematics in Poulantzas' epistemological process which made him show the structuralist tendency. In other words, Miliband failed to precisely understand what Poulantzas means by an 'objective relation'. Miliband did not go beyond just criticising Poulantzas as a structuralist. Poulantzas says that "I would say that it is visible in the difficulties that Miliband has in comprehending social classes and the state as objective structure and a system whose agents, 'men', are in the words of Marx, 'bearers' of it – *träger*." (Poulantzas 1969: 70). Therefore, an appropriate critique of Poulantzas should start from the understanding of these difficulties.

To trace the origin of the structualist tendency, we need to understand his belief in *the reproduction mechanism of the economic system*. Although we all know that his structuralist tendency is traced back to Marx, Althusser and Balibar (Althusser and Balibar 1970: 254-272; Marx 1976b: 711-724), no one has successfully captured how Poulantzas developed his state theory in the context of the reproduction mechanism of the economic system. For reasons unknown, Poulantzas never clearly elucidated the relation between the state and the reproduction mechanism within which he posits the role of the capitalist state. As such, we can catch it only by an inductive effort of organising his scattered statements.

There are two fundamental propositions for Poulantzas' state theory. They are like religious doctrines because for him the denial of them is as intolerable as when Christians blaspheme against God. First, he believes that "the state is the factor of cohesion of a social formation and the factor of reproduction of the conditions of production of a system that determines the domination of one class over the others"

(Poulantzas 1969: 73-74; 1987: 44-45). This means that he thinks an economic system constituted by classes is the entity of domination itself and the role of the state is the cohesion of these classes while guaranteeing the domination relations (i.e., reproducing the conditions of production of a system). Therefore, the state is an essential constituent of the reproduction of the system characterised by class struggles. Second, he firmly believes that it is under the protection of a *hegemonic* class that the cohesion of the system is achieved (Poulantzas 1973: 299). In this context, he says that "the state's principal role is one of organisation. It represents and organizes the *dominant* class or classes" (emphasis added) (Poulantzas 2000: 127). It was no more necessary for Poulantzas to doubt these propositions than for true Christians to doubt whether God exists.

It follows that Poulantzas thinks *the system reproduces itself with the essential role of the state achieving the cohesion of the class-divided system under the protection of the interests of a dominant class*. For him, this is an unshakable logic of the reproduction of the capitalist economic system within which the role of the state is posited. It is on the basis of *this episteme* that Poulantzas says the relation between the bourgeois class and the state is an *objective relation.* What he means is that if class **A** is a ruling class (even if it is not the bourgeois class) in a social formation, the role of the state is the organisation of the interests of class **A** in order to achieve the cohesion of unstable equilibrium of the system. It follows that the state organises and represents the interests of the bourgeois class *only because* the bourgeois class is the ruling class in the capitalist economic system. There cannot be any subjective relation between the state and the bourgeois class. The role of the state is the cohesion of the capitalist economic system under the protection of the dominant bourgeois class. It represents and organizes the bourgeois class in an objective relationship. It was in this context

that Poulantzas concludes "if the *function* of the State in a determinate social formation and the *interests* of the dominant class in this formation *coincide*, it is by reason of the system itself: the direct participation of members of the ruling class in the State apparatus is not the *cause* but the *effect*, and moreover a chance and contingent one, of this objective coincidence" (Poulantzas 1969: 73).

This system logic structurally guarantees a pro-bourgeois nature of the capitalist state. Indeed, it is an iron law unchangeable even if anti-bourgeois forces take state power. The capitalist nature of the state is institutionally materialised within the logic of the economic system. Does he offer any possibility that the state can play any role in the transformation of the economic system? The answer is *no*. He argues that there are fundamental limits to the state in the capitalist economic system. He thinks that the state can exist in so far as it guarantees the present domination relations of the production of the economic system. He says that "the state exists if and only if the hard core of capitalist relations of production is guaranteed, thereby ensuring exploitation of the working class and the popular masses (that is, their exclusion from real power over the means of production). State intervention with regard to the relations of production itself aims only at their reproduction as *capitalist* relations." Poulantzas goes on "we may express this by saying that the capitalist state is constituted by a *negative general limit* to its intervention – that is to say, by *specific non-intervention* in the 'hard core' of capitalist relations of production." (emphasis in original) (Poulantzas 2000: 191).

Poulantzas frequently stresses the active role of the capitalist state in the capitalist economic system. But it should not be forgotten that while he says the state constitutes the capitalist relations of production, he, on the other hand, makes it clear that the fundamental limit of the state is its specific non-intervention in the hard core

of capitalist relations of production. He thinks the limits of the state disregards the significance of the Left's taking state power. In this context, he said that "even when a Left government really controls state branches and apparatuses, it does not necessarily control the one or ones which play the dominant role in the state and which therefore constitute the central pivot of real power." He continues to say, "Moreover, even when a Left government manages to gain control of the hitherto dominant apparatus, the state institutional structure enables the bourgeoisie to transpose the role of dominance from one apparatus to another" (Poulantzas 2000: 138).

Indeed, for Poulantzas the state is the factor of cohesion of a social formation and the factor of reproduction of the conditions of production of a system *precisely in so far as* it does not change any condition of production of a system. The reproduction of a system means the exact duplication of the relations of production and the domination of a ruling class **A** over other classes whatsoever; the reproduction of the capitalist system means the exact duplication of the capitalist relations of production and the present status of the bourgeois domination over other classes. Poulantzas sees the state as a mere constituent of the reproduction of the capitalist economic system with no power to intervene into the essence of the relations of production, although he repeatedly stresses the importance of the role of the state by saying that the capitalist state constitutes the relations of production (Poulantzas 2000: 35; 38). For Poulantzas, the state is totally subject to the reproduction mechanism of the capitalist economic system.

7.1.2 'Relative Autonomy' versus 'Class Reductionism'

This structuralist tendency is closely related with economic reductionism. According to Poulantzas, political relations are rooted in economic relations. It must be pointed out that although he is the very person who stresses the importance of the

political, he allowed the importance only to the extent of inserting the political within the boundary of the economic. The misunderstanding of this exact extent has been the fundamental source of confusion in understanding his theory. The Poulantzasian approach has been referred to as a trend of academic approach to take into account the great weight of the political in political economy. However, it should be stressed that, contrary to the belief of his followers, Poulantzas thinks of politics as human activities channelled though waterproof economic pipes. Poulantzas says;

> the presence of political (and ideological) relations flows within the relations of production. The latter, like their constituent relation of possession and economic property, find expression in class powers that are organically articulated to the political and ideological relations which concretize and legitimize them. These relations neither represent simple additions to already existing relations of production nor do they merely react upon them in the mode of absolute exteriority or temporal sequence. They are themselves present in the constitution of the relations of production, in ways that vary with each mode of production. We should therefore rid ourselves of the now widespread idea that political (and ideological) relations enter only into the reproduction of the relations of production, which for their part retain all the original purity of self-generation. It is precisely because politico-ideological relations are already present in the actual constitution of the relations of production that they play such an essential role in their reproduction; that is also why the process of production and exploitation involves reproduction of the relations of politico-ideological domination and subordination (Poulantzas 2000: 26).

His perspective inevitably entails class reductionism. He gives an excessive weight to the axis of class struggle in the study of social science. Political relations are understood as nothing other than a developed form of class relations. For instance, even when he refers to the political phenomena on the political scene, the concept of social class is deployed as the main tool of explanation. He says that "the unity of state power is revealed by the parliamentary organization of the hegemony of this class or fraction over the others, whether by the complex dominance of the hegemonic class's or fraction's party over the other parties (e.g. the 'dominant party' in the governmental coalition) or by a complex mediation of representation in the political scene, by means of which this class or fraction is represented inside the various

parties of this coalition, or else it is revealed by the fact that the party, or parties of this class or fraction hold the key sectors of government" (Poulantzas 1973: 319). Within this type of class reductionism, he says that "when we speak for example of *state power*, we cannot mean by it the mode of the state's articulation and intervention at the other levels of the structure; *we can only mean the power of a determinate class* to whose interests (rather than to those of other social classes) the state corresponds" (emphasis in original) (Poulantzas 1973: 100). He continues to say that "the various social institutions, in particular the institutions of the state, do not, strictly speaking, have any power. Institutions, considered from the point of view of power, can be related only to *social classes which hold power"* (emphasis in original) (Poulantzas 1973: 115).

This class reductionism is correctly criticised by Miliband. He comments "not only does his approach seem to me to stultify his attempt to explain the nature of the state's relationship to the dominant class: it also tends to subvert the very concept of relative autonomy itself." He continues "it is simply not true that by 'state power', we can only mean 'the power of a determinate class'. For this, *inter alia,* is to deprive the state of any kind of autonomy at all and to turn it *precisely* into the merest instrument of a determinate class" (emphasis in original) (Miliband 1973: 87).

Indeed, the accusation that Poulantzas is a super-structualist and determinist is justified. His class reductionism seems to tarnish the reputation he achieved through his concept 'the relative autonomy of the state'. He is wrong to expect his readers to understand that he stresses 'the relative autonomy of the state' on the one hand and that he says state power is nothing other than class power on the other. All confusion comes from the error of the conceptualisation which leads him to reduce the non-class political forces on the political scene to the class forces. Poulantzas is obsessed with a

final determination of the economic system. For him, political forces are at most a developed form of class forces.

7.1.3 The Political Power Bloc and a Subjective Relation

Poulantzas thinks that the bourgeoisie is a ruling class in the capitalist economic system and so the role of the state is the cohesion of the capitalist economic system under the protection of the dominant bourgeois class. There exists an objective relation between the state and the bourgeoisie. Therefore, for him the direct participation of members of the ruling class in the state apparatus is not the *cause* but the *effect*, and moreover a chance and contingent one, of the bourgeois nature of the state. I will argue that the direct participation of members of the ruling class in the state apparatus is also the *cause* of the bourgeois nature of the state.

As the 'objective relation' is rooted in his conviction of the reproduction mechanism of the system, I need to directly tackle it to argue for the existence of a 'subjective relation'. But I do not repudiate the relevance of his whole idea entirely. Instead, I will highlight the existence of a 'subjective relation' by amending his reproduction mechanism of the system.

Undoubtedly, Poulantzas refers to the unit of a social formation when he said that the state is the servant of the ruling class and the relation between the state and the ruling class is an objective relation. Poulantzas definitely bears in mind the unit of a social formation as the economic system governed by the logic of reproduction.

What attracts special attention here is that Poulantzas keeps one more system in his mind: the system of the 'power bloc'. The concept was elaborated to focus on the political scene in which activities of dominant social classes are practiced around state apparatuses. The power bloc is the place of the particular participation of several classes and class fractions in political domination. For him the power bloc is the

system itself which determines the domination of one class fraction over others in its reproduction. The state is the factor of cohesion of the power bloc. It is under the protection of a hegemonic class fraction that the cohesion of the power bloc system is achieved. In the same reasoning applied to the social formation system, Poulantzas thinks the power bloc should be understood as a complex contradictory unity in dominance. But the contradictory unity of politically dominant classes and fractions is polarized under the protection of the hegemonic class or fraction (Poulantzas 1973: 229-239). Thus he argues that "its [the state's] global policy is massively oriented in favour of the hegemonic class or fraction – today, in favour of monopoly capital" (Poulantzas 2000: 136). Here the relation between the state and monopoly capital is an objective relation. As the reproduction of the social formation entails the dominance of the bourgeois class so the reproduction of the power bloc guarantees the dominance of monopoly capital under the role of the state as the factor of cohesion of the power bloc. Thus, he says that the state organises the interests of the ruling class (capital as a whole) and it organises the interests of the monopoly capital (Poulantzas 2000: 128;136). We can conclude that he thinks the reproduction of the capitalist system is the reproduction of the coupling of these two systems.

According to this logic (of system), the dominance of the bourgeois class is unshakable and permanent as long as the capitalist system is reproduced. Speaking more precisely, the reproduction of the capitalist system is itself the permanent bourgeois domination. *The state is a structural ally of the bourgeoisie*. It is in this context that he is unsympathetic towards the Gramscian idea of transition to socialism. He thinks even a war of position, a successful mass struggle, cannot tackle the unshakable formation of the structure (Poulantzas 2000: 251-265). He argues that "the state really does exhibit a peculiar material framework that can by no means be

reduced to mere political domination. The state apparatus - that special and hence formidable something - is not exhausted in state power.....Although the state is not created *ex nihilo* by the ruling classes, nor is it simply taken over by them: state power (that of the bourgeoisie, in the case of the capitalist state) is written into this materiality" (Poulantzas 2000: 14). Poulantzas thinks that for state power to be taken, "a mass struggle must unfold in such a way as to modify the relationship of forces *within* the state apparatuses and that the decisive shift in the relationship of forces must take place *within* the state" (emphasis added) (Poulantzas 2000: 258). Therefore, his agony as a socialist dreaming of democratic socialism was; *how is it possible radically to transform the state in such a manner that the extension and deepening of political freedoms and the institutions of representative democracy* (which were also a conquest of the popular masses) *are combined with the unfurling of forms of direct democracy and the mushrooming of self-management bodies?"* (emphasis in original) (Poulantzas 2000: 256). As there is a structural alliance between the state and the bourgeoisie in an objective relation in the reproduction mechanism of the system, the strategy of democratic socialism should be a direct tackling of the state apparatuses itself, rather than a mass mobilization outside the state system. For this reason, he argued for the transformation of the state as the best strategy of the transition to socialism.

This chapter does not deal with detailed analysis of his suggestion about the transition to socialism. I will content myself with highlighting a 'subjective relation' in the system. The conceptual leveling of 'the power bloc' provides a clue. The leveling was already implied by Poulantzas himself when he hinted that the power bloc can be investigated on the two different levels; the two different levels of space constituting the power bloc. Although I mentioned this in chapter three, I need to

repeat it here. The first level of space is wider than the second one in the sense that the former indicates the particular contradictory unity of the politically dominant classes or fractions of classes *as related to a particular form of the capitalist state.* The second, on the other hand, indicates the particular contradictory unity of the politically dominant classes or fractions of classes *as related to the co-ordinates of class representation by the political parties* (Poulantzas 1973: 308-321). The first concept of the power bloc is related to the capitalist formation in the stages of the mode of production and the second concerns the rhythm specific to the political instances in the stages of the mode of production. Poulantzas differentiates between these two conceptions only to the extent of saying that the former is related to the form of the state and the latter to the form of regime. For the sake of clarity, I will hereafter call these respectively the *social power bloc* and the *political power bloc.*

Poulantzas failed to realise that the political power bloc is the political system which determines, like the economic system, the domination of one political forces over others in its reproduction. The political system is a complex contradictory unity in dominance. But the contradictory unity of plural political forces in the political system is polarized in a structurally different logic. The state represents and organises the dominance of political forces **A** over others in a structurally subjective relation. The state has a *subjective relation* with the hegemonic forces. *The structural feature of the political system is that the state has a subjective relation with the hegemonic forces precisely because the state cannot but to be the hegemonic forces which takes state power and a political forces A cannot become the hegemonic forces without taking state power.* The state (a political forces **A**) is the factor of cohesion of the political system under the protection of its hegemonic status. State unity is itself the political unity of the political system under the hegemonic political forces. The unity

of state power equals the political unity of the political system under the hegemonic political forces. The political orientation of the Kim Dae Jung regime cannot be reduced to the requirement of the economic system. Therefore, we can say that the Korean state of 1998-2003 was Kim Dae Jung's state and the British state of 1979-1990 was Margaret Thatcher's state. Furthermore, 'the problem with the US', which initiated the war of aggression in Iraq - so flagrantly imperial and so openly connected to a doctrine that expresses the broader aim of securing a neo-liberal capitalist order on a global scale (Panitch and Giddens 2003a: 32), can be attributed as due to 'mostly Bush' rather than to the 'US in general' as the guarantor of the neo-liberal world capitalist system. Obsessed with the reproduction mechanism of the economic system, Poulantzas must have had difficulties in comprehending political forces and the state as a subjective relation and the mechanism of the reproduction of the political system. The state is the factor of the political unity of the political system under the protection of the hegemonic forces in a *subjective* relation.

The existence of a 'subjective relation' upgrades politics as the 'art of possibility' to defy the constraints of the economic structure. The question of how much the state is autonomous has been an ever-lasting dilemma in the field of political economy. To stress the relative autonomy of the state, Jessop mentions 'operationally autonomous political system' (Jessop 2002: 35). However, the meaning is vague, and it does not explain the ontological source of his concept of 'strategy of the state'. The *structural existence of a subjective relation* can be understood as the very *source of 'strategy* of the state' and it indicates that the capitalist state is at least more autonomous than Poulantzas allows. In other words, it was wrong for Poulantzas to propose that we should therefore rid ourselves of the idea that political (and ideological) relations enter into the reproduction of the relations of production.

Contradicting Poulantzas, *political relations are not subsumed within a material framework of the capitalist economic system.* The state apparatus can be a powerful weapon of an anti-bourgeois hegemonic political force.

The stubbornness to see microscopic activities of human beings as fantastic forms of class struggles should be discarded. In the political power bloc political relations can circumvent the constraints imposed by economic relations. Poulantzas sees the political power bloc as an essentially reflected form of the social power bloc. He says that "there is an *unambiguous* relation between state power and this class or fraction" (emphasis in original) (Poulantzas 1973: 319) and that "the unity of state power is, by the masked actors on the political scene, revealed by the parliamentary organization of the hegemony of this class or fraction over the others" (Poulantzas 1973 319). Masked by the conception of human struggle as class struggle itself, Poulantzas subsumes political activities of political animals under the reproduction mechanism of the economic system. This is his class reductionism penetrating through all his works, equating class power with state power.

Now we can understand that the direct participation of members of the ruling class in the state apparatus could be the *cause*, not the *effect*, if the function of the state in a determinate social formation and the interests of the dominant class in this formation coincide. The tendency of his class reductionism is the source of confusion among a great number of readers who start studying his ideas in high expectation but end up frustrated over the contradiction; the contradiction between 'the relative autonomy of the state' and 'the equation of state power with class power'. This has brought a contradictory evaluation for Poulantzas: 'politicist' and 'structuralist'.

7.1.4 The Critics and Their Misunderstanding of Poulantzas

As the lack of the understanding of the reproduction mechanism of the system has brought a serious misinterpretation of Poulantzas by leading leftist intellectuals I need to make a short digression to mention the seriousness briefly.

The reproduction mechanism of the economic system was a grand conceptual framework by which Poulantzas investigated the object of his research at both domestic and international levels. It should be pointed out that the significance of his work *Classes in Contemporary Capitalism* (Poulantzas 1979) consists in his attempt to apply his own state theory to global level. Although attention has been focused on Poulantzas' analysis of contemporary classes, critics have failed to realise that the book was designed within a larger framework in which Poulantzas investigated the phase of imperialism and the domination of the U.S.A. Poulantzas investigated the American dominance in the context of the reproduction mechanism of the world economic system in which he thought there is an 'objective relation' between the role of the European nation states and American capital, i.e., the same objective relation between the state and the monopoly capital within the unit of the power bloc. The interpretation of the relation between the European nation states and American capital was his attempt to apply his state theory in a global context.

Let us see how the lack of understanding of the reproduction mechanism leads to wrong interpretation of Poulantzas' strategy of the transition towards democratic socialism.

For example, although Jessop is the most well-known critic of Poulantzas, he does not seem to understand the reproduction mechanism of the system. Referring to the Miliband-Poulantzas debate he comments that "the state is either seen as acting at the behest of class interests located, consitituted and organized outside of the state system – in the economy and civil society – or else is held to act on behalf of

capitalist interests willy-nilly through the constraints imposed on its operation by the wider structures of social and economic power" (Jessop 1988b: 155). Poulantzas argues that the state acts on behalf of capitalist interests, not willy-nilly but in the reproduction mechanism of the system. Again, Jessop criticises Poulantzas, saying that "the transition to democratic socialism is possible by the consolidation of the socialist power centres" and that "it would be wrong to exaggerate the manoeuvrability of capital and underestimate the relative autonomy of the institutional structure of the state system" (Jessop 1985: 308). However, we need to recall that Poulantzas is the very person who stressed the relative autonomy of the state, and then make an effort to understand why Poulantzas thinks that the strategy of the transition to democratic socialism is possible only by the transformation of the state apparatuses. It is because, according to Poulantzas, the relative autonomy of the state is no more than a factor constituting the mechanism of the reproduction of the system. The mechanism circumscribes the relative autonomy of the state. Therefore, the relative autonomy of the state can not deactivate the objective relations between the state and the ruling class (the bourgeoisie in capitalism). Jessop assumes that Poulantzas' strategy of the transformation of the state stems from the progressive consolidation of authoritarian statism and the problems involved in the role of state functionaries in the mental-manual division of labour (Jessop 1985: 308). He does not seem to know that Poulantzas regarded authoritarian statism as the contemporary effects of the bourgeois nature of the state resulting from the reproduction mechanism of the system in the advanced countries. For Poulantzas, authoritarian statism is the target to be dismantled by the strategy of the transformation of the state, not the cause to make Poulantzas adopt the strategy of transforming the state.

Again, the failure of the understanding of Poulantzas' system mechanism is evident in Stuart Hall's critique of Poulantzas' work, *State, Power, Socialism*. In the preface of the book (Poulantzas 2000: vii-xviii), Hall says that "He leaves us with a book which is, in many ways, clearly coming apart at the seams; where no single consistent theoretical framework is wide enough to embrace its internal diversity. It is strikingly *unfinished*. It offers us a picture of one of the most able and fluent of 'orthodox' Marxist-structuralist thinkers putting himself and his ideas at risk" (emphasis in original) (Poulantzas 2000: xvii). This critique of Poulantzas is completely and utterly wrong.

For Poulantzas, the main purpose of *State, Power, Socialism* was to suggest his strategy of the transition of democratic socialism in the face of the emergence of the new phenomenon of authoritarian statism in Europe. This work is remarkably consistent in that the whole book is organized under a single theoretical framework of the reproduction mechanism of the capitalist system. After arguing in the early part of the book that the capitalist state must be investigated in terms of the relations of production and the social division of labour (i.e., class struggle) because it is the only way to understand the specific institutional materiality of the capitalist state (characterised by the division of intellectual and manual labour, individualization, the role of law, and the nation-state), Poulantzas devotes the rest of the book to investigating the bourgeois nature of the capitalist state (governed by the logic of the system) *in terms of class struggle*.

In *Part Two* Poulantzas investigates the implication of the very structure of the state (the objective relation between the state and the bourgeoisie) at the level of political domination and political struggle. Here the main argument is that "the state is rather a relationship of forces, or more precisely the material condensation of such a

relationship among classes and class fraction" (Poulantzas 2000: 128). But we should point out that he adds, with the very structure of the state in mind, that "the state is not purely and simply a relationship, or the condensation of a relationship; it is the *specific material condensation* of a relationship of forces among classes and class fractions" (emphasis in original) (Poulantzas 2000: 129). It was for this reason that Poulantzas concluded that "Even if the Left in power manages to control, in their formal hierarchy, the heights of the dominant state apparatus or apparatuses, it remains to be seen whether it will really control the core of their effective power" (Poulantzas 2000: 139).

In *Part Three* Poulantzas points out the increasing economic functions of the capitalist state and tries to define their political implications (i.e., the class nature) which these functions possess. He argues that "there cannot be *over here* state functions in favour of, and imposed by, the popular masses and *over there* pro-capital economic functions. All measures taken by the capitalist state, even those imposed by the popular masses, are in the last analysis inserted in a pro-capitalist strategy or are compatible with expanded reproduction of capital" (Poulantzas 2000: 185).

In *Part Four*, bearing in mind the growing economic function of the state Poulantzas argues that "in western capitalist societies the state is undergoing considerable modification. A new form of state is currently being imposed". The new form of the state is what he calls '*authoritarian statism'*. Poulantzas understood authoritarian statism as the contemporary effects of the reproduction mechanism of the system in most advanced countries and interpreted the phenomenon again *in terms of class struggle*. He argues that "the new form of the state corresponds to the accentuation of inequalities and disparities between the working class and the dominant classes" (Poulantzas 2000: 210).

Therefore, in *Part Five*, Poulantzas suggests the *transformation of the state* to deal with the material structure of the state (stemming from the reproduction mechanism) which constitutes an objective relation between the state and the bourgeoisie (Poulantzas 2000: 251-266). This book is *unfinished,* as Hall pointed out. But it is only unfinished in the sense that Poulantzas himself could not provide the specific strategy of the transformation of the state, not in the sense of the absence of a single consistent theoretical framework. Indeed, Poulantzas developed the book under a single consistent theoretical framework. It is evident that Hall's failure in understanding the reproduction mechanism unfairly discredits Poulantzas.

7.1.5 The Class Nature of the Kim Dae Jung Regime

Let us now return to our problem. The conceptual division of the power bloc was a useful attempt to review the problem of the class nature of the capitalist state. When asked "how relative is the autonomy of the state?" by Miliband, Poulantzas replied that "the degree, the extent, the forms, etc. (*how* relative, and *how is it* relative) of the relative autonomy of the state can only be examined with reference to a given capitalist state, and to the precise conjuncture of the corresponding class struggle" (emphasis in original) (Poulantzas 1976: 72). My reply is that *the autonomy of the state depends on how much the state, in a subjective relation with a hegemonic political force, marginalises the constraints of an economic system by unifying the political power bloc.* The space of a 'subjective relation' is the very foundation on which strategy of the state could be exercised against social classes. Strategy of the state could be targeted against labour forces as well as against bourgeois forces. According to the strategy, state power is capitalist and it is non-capitalist at a determinate conjuncture.

In this context, we can explain the dual class nature of the Kim Dae Jung state vis-à-vis Korean labour; the formidable slaughter in the first half of the regime (Kwon and O'Donnell 1999) and the benign measures and material concessions in the second half. Relying on Miliband, we could not explain the state's slaughter on Korean labour because the ruling regime and the labour unions had been traditional allies during the entire period of the democratisation movement against military dictatorship. Also, Poulantzas would have difficulty in explaining the favourable stance of the state in the second half of the rule (even if he said that the capitalist state is constituted by the positive role of material practices to preserve the political domination) (Poulantzas 2000: 28-34). The regime's dual aspects are best understood with the concept of the state as 'the generator of strategy'. State strategy is rooted in a 'subjective relation' autonomous from the requirement of the economic system.

7.2 The KTC: a Symbol of Labour Power?

From this section I investigate the frustration of Korean labour mostly in the context of the *form* of the Kim Dae Jung state. However, attention should be paid to state strategy in its handling Korean labour. When the regime commenced in 1998 Korean labour was considered to be such a powerful social actor that Cumings cited it as one of the strongest labour movements in the world, anticipating that the unions held the key to the success or failure of the reform program of the new -born regime.

The 'increased labour power' was the biggest factor to the birth of the first neo-corporatist arrangement in Korea, i.e., the foundation of the Korea Tripartite Committee (KTC). The foundation was an unintended outcome of a series of disparate interest conflicts and policy crises in which none of the class or state actors involved was capable of imposing its preferred solution upon the others (Schmitter 1985: 36-37). The Korean state could not secure the position to control the expression

of labour interests, unlike the situation in the previous military regimes. The birth of the KTC was a sort of compromise in a tense balance in the organised expression of class forces. The state realised that it was incapable of unilateral manipulation of public authority to impose its interests. Korean labour was not a mere appendage anymore to the collaboration between the state and capital. The state had to recognise that the costs of implementing industrial policies with exclusion of labour would exceed its likely benefits (Schmitter 1985: 48). The KTC was the unintended outcome of the tense power balance of the state and classes in Korean society (Lehmbruch 1982: 25).

With the appearance of the KTC, labour unions were expected to be the main beneficiary of the neo-corporatist system. It was thought that as Manoilesco anticipated the twentieth century as the century of corporatism following the nineteenth as the century of liberalism, so the Kim Dae Jung regime would be the blossoming period of the neo-corporatist system involving the transformation of all the social and political institutions of the country (Manoilesco quoted in Schmitter, 1979: 7).

However, contrary to this optimistic expectation, the struggle of Korean labour reminds us of the critical view on the corporatist system. Panitch argued that corporatism must be seen as a system of state-structured class collaboration. It poses not an opportunity, but a danger to working-class organizations[1] (Panitch 1986: 209). Indeed, as Schimitter found, the KTC seemed to transform into a wilful mechanism of state control or exploitation (Schmitter 1985: 49). Korean labour became so

[1] Neo-Marxists such as Panitch and Strinati represent the most critical view on the corporatist system. According to them, the state actively promotes macro-corporatism as a means of reducing labour market pressures on capital, containing wage costs, and subordinating labour. The formal equality of bargaining which appears when three parties sit down at the same table conceals a structural identity of interest between two of the partners which acts against the interest of labour. For more on their view, see Cawson 1986.

vulnerable that the chaebol went as far as to allege that the KTC was a wasteful impediment to the efficient operation of market forces (Schmitter 1985: 36-37). The promising tripartite committee transformed itself into a limping neo-corporatist arrangement.

7.3 Labour Struggle and Politics

The *form* of the Kim Dae Jung state was a significant implication for 'strategic selectivity' for Korean labour, since the *form* deprived Korean labour of a structural basis for political struggle. The absence of political alliance which resulted from the *form* of the state was a significant factor to the frustration of the labour unions.

Indeed, the realm of politics has been a keen concern of Marxists engaging in labour struggle. Since Marx mentions the distinction between economic struggle and political struggle with the conception of *class-in-itself and class-for-itself* [2], political activity has been regarded as the indispensable element not only for the short-term realisation of labour interests but also for the long-term Marxist dream of a socialist revolution. Thus, the role of labour unions and political parties was a target of attention (Coats and Tompham 1986; Marks 1989; Taylor, A. J. 1989; Taylor, R. 1993).

The attention developed into heated theoretical polemics on the limits of the labour union as a political organisation. Faced with growing influence of reformist politics led by Bernstein (who stressed trade unionism), Lenin sharply crystallised scattered ideas on trade unionism into a clear and precise theory of trade unionism

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[2] In *Political Power and Social Classes* Poulantzas quotes Marx when distinguishing political struggle from economic struggle. According to Marx "economic conditions had at first transformed the mass of the people of the country into workers. The combination of capital has created for this mass a common situation, common interests. This mass is thus already a class as against capital, but not yet for itself. In the struggle, of which we have noted only a few phases, this mass becomes united, and constitutes itself as a class for itself. The interests it defends become class interests. But the struggle of class against class is a political struggle" (Marx quoted in Poulantzas 1973: 59).

(Kelly 1988: 26). He emphasized a vanguard party of professional revolutionaries for a radical activism for a revolution. Lenin highlighted the differences between trade unionist politics and Marxist or revolutionary politics. He thought that trade unionist politics of the working class was precisely bourgeois politics of the working class. Rosa Luxemburg also shared his view that without the influence of a revolutionary party trade unions could make only a limited impact on workers' conditions under capitalism (Kelly 1988: 35).

Antonio Gramsci develops a much more sophisticated political strategy of labour, realising that the normal state under bourgeois hegemony cannot be overthrown without intensified and effective political struggle involving mass participation of different classes in a capitalist society. Constructing his theory of the party around an analogy with Machiavelli's *Prince*, Gramsci highlights the role of the political party. Machiavelli dreamed of a 'historical figure' to free Italian politics from the weight of religion and traditional morality. For Gramsci, what was needed in the era of bourgeois hegemony was a 'modern prince', which 'cannot be a real person, a concrete individual.' It was 'the political party – the first cell in which there come together the germs of a collective will tending to become universal and total' (Gramsci 1983: 129). Gramsci thought the appropriate role of the party is a precondition for political revolution. The mission of the party was to establish a new collective will, a new national and popular unity (Femia 1987: 130-139).

The significance of the *form* of the Kim Dae Jung state in its relation to labour struggle was that it structurally debilitated the possibility of successful labour politics. The *form* of the Kim Dae Jung state corresponded to 'exacerbated dependency' and 'fragile state unity'. Under the double attack of 'exacerbated dependency' and 'fragile state unity', 'increased labour power' came to be structurally crippled. Whereas the

state and capital made strategic use of the country's dependency on the IMF and the opposition GNP's power, Korean labour had to notice a removal of an available strategic choice. As the state decided to embrace the IMF conditionalities, labour's friend, Kim Dae Jung, turned into a new enemy of Korean labour. At the same time, Korean labour had to realise that a new would-be friend, the conservative bourgeois opposition GNP, was an old opponent which persecuted Korean labour under the authoritarian military regimes in the past. The GNP was a traditional friend of Korean capital. This absence of political alliance, structurally rooted in the *form* of the Kim Dae Jung state, heralded the predicament of Korean labour, and it signalled the erosion of labour's power which was at its peak around the beginning of the Kim Dae Jung regime.

7.3.1 The Opposition GNP: the Old Enemy of Korean Labour

7.3.1.1 The 1997 Labour Struggle and Political Alliance

The emergence of the conservative GNP created a new opposition party-labour union relationship, breaking the traditional feature of political alliance between opposition party and labour unions which existed for several decades since the foundation of the country. Needless to say, it was the opposition political parties that Korean labour relied on in its struggle against the ruthless oppression of military rule during the period of the 1960s-80s Park Jung Hee, Chun Doo Hwan and Roh Tae Woo regimes. Also, under Kim Young Sam's civilian government, the Korean labour unions owed a great deal of their success in struggle to the political alliance with the opposition parties (Im 1996; 1997; 1998).

The case of the 1997 union struggle provides a great example of how important the political alliance was to labour success. The alliance was actively formed after the ruling NKP railroaded a contentious bill in the National Assembly in

December 1996.[3] Following the December incident, intense labour strife engulfed the country as millions of workers walked out in partial or general strike to protest the ruling camp's unilateral enactment of labour-related law revisions. The nationwide strikes (started 26 December 1996 and resumed in January 1997) threatened to intensify labour actions to nullify the nation's new labour laws. Highlighting the authoritarian feature of the passage of the law, labour unions successfully changed the characteristic of their class struggle into that of the 'democratic-popular struggle'. As the strikes drew a great number of ordinary citizens, it looked like Korean unions were establishing 'a war of position' (although they did not intend to overthrow the capitalist state for a socialist society).

The unions' achievement in the war of position was greatly indebted to their political alliance with opposition parties. In January 1997, the nation's opposition parties, which had been requested by labour unions to join the struggle, declared a full scale campaign against the new labour law. The main opposition, Kim Dae Jung's NCNP, was quick to act on the serious labour-government confrontation by holding an emergency cadre meeting which later issued an emergency statement calling on the government to withdraw legal action against the unionists. Kim Dae Jung called on President Kim Young Sam to hold summit talks with opposition leaders to discuss ways to settle the volatile labour situation. Even the conservative opposition ULD declared that it would launch the campaign to defy the arrogance of the government. The two parties decided to launch outdoor rallies and collect signatures against the labour legislation. On 16 January 1997 the two parties announced a formal alliance with labour unions and mapped out an action plan to support their campaign. The parties decided to launch a nationwide signature-collecting drive and to participate in

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[3] The background of the railroading is reviewed in Chapter three. This section focuses on the aspect of the opposition party - labour union alliance.

protest rallies, condemning the government for its unilateral passage of the labour law revision (*Hankyoreh* 17/01/1997).

On 20 January 1997, stepping back from his hard-line stance on the month-long labor-government standoff, President Kim Young Sam, who had refused dialogue with the opposition, declared that he was going to meet with opposition leaders Kim Dae Jung and Kim Jong Pil to find a solution to the escalating tension. In the meeting with the opposition leaders, Kim Young Sam gave the go-ahead to the rewriting of the controversial labour laws through bipartisan deliberations in the National Assembly. The president suggested that the ruling and opposition parties discuss revising the labour law in the Assembly. He also promised that he would order law enforcement authorities to suspend arrest warrants issued against militant union leaders who had orchestrated the nationwide wildcat strikes since the end of December 1996.

With agreement reached between the President and opposition party leaders, lawmakers from the ruling and opposition camps embarked on rewriting the new labour laws. On 8 March 1997 the ruling and opposition camps reached an agreement (*Hankyoreh* 09/03/1997). They would conclude the rewriting of the labour bills that were railroaded by the ruling NKP. They later passed the new labour bills at a plenary sitting at the March National Assembly, wrapping up their months-long negotiations on the controversial labour issue. Undoubtedly the 1997 labour struggle was one of the cases where the success of the union movement was essentially indebted to their political alliance with opposition parties.

7.3.1.2 The GNP and Korean Labour

The traditional alliance between opposition party and Korean labour was absent under the Kim Dae Jung regime. The end of the homogeneity between

opposition party and labour forces was based on the unique political situation corresponding to the *form* of Kim Dae Jung state. Kim Dae Jung's 1997 presidential election victory was the first historic case where non-hegemonic opposition political forces gained state power defeating the long-standing hegemonic conservative political forces. The ascendance of Kim Dae Jung as the chief state manager meant a pure democratisation political force taking over state power for the first time since the foundation of the nation. The GNP, the opposition party under the leadership of Lee Hoi Chang during the Kim Dae Jung regime, consisted of the conservative forces which repressed Korean labour in the pre-Kim Dae Jung regimes. Therefore, the equation between opposition forces and democratisation forces ended.

To understand the break-up of this homogeneity we need to look back at the 1990 three party merger. As we reviewed in chapter three, the heads of the three parties (Roh Tae Woo of the DJP, Kim Young Sam of the NDRP, and Kim Jong Pil of the RDP) founded a new ruling party, the Democratic Liberal Party (DLP) in the controversial party merger in January 1990. The merger was controversial in that the undisputed opposition leader Kim Young Sam joined with then president Roh Tae Woo and Kim Jong Pil against whom he had struggled for the cause of "democratization of the nation" for two decades. Overcoming internal conflicts, Kim Young Sam snatched the candidacy of the ruling party and became the president of Korea in 1992. After he realized his long-cherished dream of becoming president, Kim Young Sam conducted a sweeping purge, and, as a result, Kim Jong Pil left the LDP. Kim Young Sam changed the name of the party in a typical Korean political practice, but the basic structure of the new party, New Korea Party (NKP) remained unchanged. With Kim Jong Pil gone, there remained two major factions in the ruling

party. The party's two main pillars were the *Minju* faction and *Minjong* faction.[4] The so-called *Minjong* faction was composed of holdovers of the previous military regimes of Chun Doo Hwan and Roh Tae Woo while *Minju* faction was comprised of politicians loyal to Kim Young Sam.

With the 1997 presidential election looming, the NKP argued over who should be a candidate for the party. Kim Yoon Hwan, a leader of *Minjong* faction, decided to support Lee Hoi Chang, who was enjoying high popularity among the public for his defiance against the then unpopular president Kim Young Sam. As Lee Hoi Chang had a weak base in the party, he courted Kim Yoon Hwan in an effort to broaden his political base in the party and to win over the conservative region of the Kyoungsang provinces. The party became polarized into the pro-Lee and anti-Lee groups.

In July 1997, Lee Hoi Chang became the presidential candidate in cooperation with Kim Yoon Hwan to represent the party in the election to be held in December. Campaigning in November 1997, the NKP merged with the small Democratic Party and transformed itself into the Grand National Party (GNP). In their merger, Lee Hoi Chang of the NKP became the presidential candidate of the new GNP party and Cho Soon, former president of the DP, was appointed as president of the new party.

In the December election, Lee was defeated by Kim Dae Jung. In September 1998, Lee Hoi Chang took the helm of the GNP as the president by handily defeating his rivals in the party. He solidified the party's internal cohesion by reshuffling key officeholders and got a firm grip on the party's affairs. Lee returned to the political forefront about eight months after he lost the presidential election to President Kim. In the leadership competition he was indebted to the *Minjong* faction leader Kim Yoon Hwan again. He became the biggest opposition party leader associated with the past

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[4] The *Minju* faction is named after Kim Young Sam's previous Unification Democratic Party (Tongil Minju-dang) and *Minjong* after Roh Tae Woo's Democratic Justice Party (Minjong-dang).

military political forces, which was the enemy of Korean labour. Lee Kap Yong, the former chairman of the KCTU, flatly stated that it was out of the question to try to form a political alliance with the GNP because the party members mostly consisted of Korean labour's persecutors.[5]

7.3.2 Kim Dae Jung: 'the IMF Man' and Enemy of Korean Labour

Korean labour was to face the formidable international neo-liberal wave fanned by the IMF.[6] The nation's new leader, Kim Dae Jung, was determined to embrace the IMF conditionalities. This meant a sweeping neo-liberal attack on Korean labour, pitting the two traditional allies against each other.[7] The chaebol reform - an attack on monopoly capital - also meant a predicament for Korean labour as it implied large scale unemployment.

What Kim Dae Jung did first as national leader was to request his traditional ally to admit the reversal of the legislation they achieved together in the joint 1997 struggle against Kim Young Sam's previous government. Kim Dae Jung and his economic team repeatedly stressed that the new labour law facilitating dismissal of Korean workers was inevitable on the grounds that the law would induce foreign investment, which they considered to be an essential requirement to overcome the economic crisis. For labour, the debate at governmental level was about attributing the main cause of the 1997 economic crisis to the lack of 'labour flexibility'. Kim Dae Jung's economic staff were stressing that the IMF insisted on legislative reform for the removal of restrictions on lay-offs in the National Assembly in February 1998.

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[5] Interviews with Lee Kap Yong, the former Chairman of the Korean Confederation of Trade Unions (KCTU). Interviews were made via phone and email in December 2003.

[6] For discussion on labour strategy in the era of globalisation, see Beynon and Ramalho 2000; Greenfield 2000; Panitch 2000a.

[7] For a case study proving that local government embracement of neo-liberal reform goes against the interests of labour, see Cam 2002; Pulignano, 2003.

Alarmed by this, Korean labour leaders met with Michel Camdessus, the Managing Director of the International Monetary Fund on 13 January 1998 in Seoul. The historic meeting was the first of its kind between the head of the IMF and national labour leaders. The union leaders, Lee Kap Yong and Park In Sang, the heads of the KCTU and the FKTU, asked whether the introduction of a new labour law removing all regulations on dismissals for managerial or operational reasons was the official position of the IMF (*Chosun Ilbo* 14/01/1998). In response to this concern from Korean labour, Camdessus categorically denied that it was the official IMF condition. Instead, Camdessus, as if to remind them of his stress on the 'human face of the IMF'[8], said that the whole solution lay with meaningful tripartite social consultation and agreement. It was in line with the argument of Korean labour leaders. He stressed the importance of the tripartite process in the continuous production of necessary agreements for social consensus and policy measures. He expressed his belief that the participation and agreement of all social actors was the most effective way to enhance international confidence and attract foreign investment (KCTU 1998a; 1998b). Following the historic meeting, the KCTU concluded that the meeting was significant on two accounts: Firstly, in neutralising the source of 'power' and 'control' that comes from monopoly on information, the KCTU unshrouded the veil of secrecy. Secondly, the trade union movement created a precedent and platform for a constant engagement with the IMF on matters concerning economic reform in Korea, making inroads towards transparency and meaningful "input" in the IMF process (KCTU 1998a). There was not any specific compromise in the meeting, but the labour unions considered it to be significant. It was the first opportunity for Korean labour to deliver

[8] For praise of Michel Camdessus's role in changing the face of the IMF, see Boughton 2000; Vreeland, 2001.

its demands directly to the key international figure of the neo-liberal international organisation.[9] However, labour's optimism was short-lived.

Appealing to patriotism to overcome the crisis, President-elect Kim Dae Jung sought a 'grand compromise' between labour and management on the legalization of massive layoffs. On 15 January 1998 the nation's two leading labour union KCTU and FKTU agreed to come to the negotiating table of a tripartite commission to deal with the introduction of layoffs and chaebol reform. On 20 January and 6 February, the KTC adopted the 'Tripartite Joint Statement on Fair Burden Sharing in the Process of Overcoming Economic Crisis' and 'Social Agreement to Overcome the Economic Crisis' (Kim, S. K. 1998). The three parties struck a deal to share the pain of economic retrenchment which included the much-disputed layoffs. What was significant was that representatives of the nation's two labour organizations accepted the principle to adopt the mass layoff of workers. The landmark accord paved the way for the National Assembly to legislate a bill allowing corporate layoffs during its ongoing special session.

However, the historic neo-corporatist arrangement could not start because the nation's most radical trade union, the KCTU, questioned the legitimacy of the agreement and demanded its re-negotiation. The leaders of the union previously agreed to allow increased flexibility in the tripartite negotiations, but the agreement was later rejected by an absolute majority at the KCTU's special congress on 9 February 1998 (*Hankyoreh* 10/02/1998). The KCTU argued that the agreement was provisional and voted to nullify it. Militant members of the KCTU ousted those leaders responsible for agreeing to the accord (which would make layoffs easier), and formed a new leadership. They threatened to launch nationwide strikes if their

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[9] Personal Interview with Lee Kap Yong

demands for renegotiating the labour laws were not met, arguing that the agreement focused primarily on the introduction of mass layoffs without paying due attention to the steps the chaebol owners were supposed to take in advance.

In response to the labour movement, the government threatened stern action against KCTU strikes. It warned that any move to renege on what was agreed on at the KTC would not be tolerated, reaffirming that there could not be any form of renegotiation (*Hankyoreh* 13/02/1998). The prosecution also made it clear that those leading any wildcat strikes in opposition to the tripartite agreement among labour, management and government would be severely punished in accordance with relevant laws.

On 15 February, the government managed to pass the all-important layoff legalization bill through the National Assembly, clearing the way for businesses to shed their workforce without a grace period. Lay-offs had been possible only after the approval of labour unions or the court. But with the passage of the bill, employers were able to dismiss workers in mergers and acquisitions, and other cases of the dissolution of companies. Although some conditions were attached to prevent possible abuses, permitting lay-offs signalled Korean labour to face mass unemployment.

The passage of the bill meant the rupture of the forty-year traditional alliance. The government, determined to embrace the IMF imposition, overcame the first hurdle by making strategic use of the tripartite arrangement. The break-up of the alliance was expressed in the form of labour's resentment over the tripartite arrangement. *Korean labour began to see the corporatist arrangement as a state organised institutional mechanism to co-opt labour forces.*[10] Labour unions argued

[10] Interview with Lee Kap Yong

that the government was intent on exploiting the tripartite process as an instrument for control rather than genuine consultation and consensual decision making process (Heo 1998). For them, the KTC became an instrument to push down a flexibilisation of the labour market. It was used to emasculate labour's resistance. The unions thought that the government opened the flood gates for mass dismissal by layoff-centred corporate restructuring. In labour's view, the KTC was nothing other than a legitimating mechanism for massive restructuring and mass layoff to undermine the resistance of workers in response to multifaceted attacks on labour and trade union rights and workers' welfare (Koh 1999).

As a desperate attempt to stop the attack on labour, Lee Kap Yong, the head of the KCTU, went on hunger strike in the winter of 1998. In particular, he was protesting the mass unemployment caused by what he called the government's unilateral reform drive, which imposed pains only on workers, not on the chaebol. [11]

Later, the labour leaders, with their earlier optimistic expectation from the organisation shattered already, confronted the IMF. When they met one year after the first meeting, union leaders called on the IMF to stop meddling in domestic economic policy, holding the international body responsible for massive layoffs at the nation's companies (KCTU 1999a). In May 1999, Lee Kap Yong of the KCTU and Park In Sang of the FKTU delivered their complaints in face-to-face meetings with the IMF's managing director, Michel Camdessus, who was in Seoul to attend a conference of Southeast Asian central banks (*Donga Ilbo* 22/05/1999). In a meeting with Camdessus, the union leaders pointed out that the IMF-proposed economic program caused mass

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[11] In the interview, Lee Kap Yong recalled that it was the best option he could take as the head of Korean labour to secure the 'right to live'. According to Lee, Kim Dae Jung's role in democratisation of the country could be recognised. But from a class perspective Kim Dae Jung was the faithful executor of international neo-liberalism. The President asked the unions to "endure the lay-offs" and promised that "when the economy is better they would be welcome to come back". However, from labour's point of view, it was like demanding to give up the right to live, with the social welfare system being no replacement for unemployment at all in Korea

layoffs and polarized the lot of the haves and have-nots in Korean society (*Chosun Ilbo* 22/05/1999).

The fate of the KCTU leaders well illustrates the collapse of labour power under Kim Dae Jung's rule. Lee Kap Yong went on a hunger strike in 1998. In September 1999, Dan Byung Ho was elected the head of the KCTU following the resignation of Lee Kap Yong. He declared that Kim Dae Jung was 'the enemy of Korean labour' (*Sin Donga* August 2001; *Wolgan Joongang* January 2001). In August 2001 Dan Byung Ho was jailed after he was charged with leading a series of illegal strikes and rallies as the KCTU leader.

7.4 Korean Labour and Its Frustrations

Korean labour established many targets for its struggle: the renegotiation of the structural adjustment with the IMF; the establishment of a meaningful social safety net; the dismantling of the chaebol system; punishment of the chiefs of the chaebols; and the reform of the political system. Above all, the most important target was the prevention of the expected mass unemployment which the government's chaebol policy would have created. With the passage of the bill allowing redundancy dismissal in February 1998, the fear of the impending mass dismissal spread across the nation. The KCTU and the FKTU launched their all-out struggle to prevent the mass dismissal during the period of the neo-liberal state's attack on Korean labour in the first two years of the regime. However, with Kim Dae Jung committed to his new friend (the IMF), the objective of Korean labour became too difficult to achieve.

The other important target was the implementation of the working hour system. Around the beginning of 2000, Korean labour shifted its objective from the struggle against unemployment to the introduction of the five-day working week system. After their strategy of counter-attacking mass unemployment failed, the union leaders

shifted a target to the establishment of the five-day week system in Korea. Again, however, their struggle in the second half of the regime went wrong. As the opposition GNP opposed the introduction of the system, Korean labour had to once more undergo a frustrating period. By focusing on those two key demands of labour, I will investigate how Korean labour came to be defeated.

7.4.1 The Labour Struggle for the Prevention of Mass Unemployment in the First Half of the Regime

7.4.1.1 The Clash between 'Old Friends'

The prime objective of labour struggle in the first half of the regime was the prevention of mass unemployment (Lee K. Y. 1998; 1999). The unions' demand for job security was intensified after the KCTU elected a militant leader, Lee Kap Yong.[12] His election reflected the mounting resentment of Korean workers against increasing lay-offs. Lee declared that he would do everything possible to nullify the labour accords if mass unemployment continued (*Donga Ilbo* 02/04/1998). In April 1998, Kim Dae Jung and two union leaders of the FKTU and the KCTU met to find a possible solution to ease the mounting tension between the state and labour. It was a last-ditch effort to strike a compromise before the unions launched the full-scale struggle expected to start in May 1998. In the meeting the two union leaders asked the government to take immediate action to prevent mass unemployment. The FKTU demanded a rather mild proposal that the government take action on arbitrary layoffs and other illegal activities by employers within the boundary of the principle of the earlier agreement in the tripartite committee to allow layoffs. But the KCTU leader

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[12] Labour militancy is often highly recommended in the face of the growing hostility of employers on the grounds that 'moderation can seriously weaken trade unions and leave them vulnerable to employers' attacks because they erode the willingness and capacity of members to resist and to challenge employer demands'. See Darlington 2002.

Lee presented the radical demand of the renegotiation of the legalization of layoffs (*Donga Ilbo* 23/04/1998).

The meeting failed to produce any satisfying compromise. The two unions' leaders, Lee Kap Yong and Park In Sang met on 27 April and discussed the joint effort to deal with the increasing unemployment situation. The first action came in May 1998. On 1 May, tens of thousands of workers and unemployed people staged rallies and marches across the country. The rallies turned into street battles between workers and police on the main streets of Seoul. Tear gas and stones were exchanged between the police and demonstrators in the clash. The government was resolute about dealing with the protest, and President Kim Dae Jung called for crackdowns on street violence after a May Day clash in downtown Seoul. He instructed the Cabinet to take strong steps against illegal and violent demonstrations. The government decided to punish the leaders of violent street demonstrations, kicking off a full-scale probe into the organisers of the protest rallies (*Hankyoreh* 04/05/1998). The unions, however, did not flinch. The KCTU threatened to launch an imminent general strike. The KCTU went on a general strike on 27 May across the country for two days as scheduled. About 42,000 KCTU-affiliated workers at fifty-five worksites, including Hyundai Motor and Daewoo Motor, participated in the strike (*Hankyoreh* 28/05/1998). To suppress the intractable KCTU, the government came up with the decision to arrest leading figures of the KCTU who played a key role in the general strike.

The May clash was merely an initial stage of the confrontation. The real showdown was to follow as the government planned to liquidate many banks and chaebol groups in its corporate restructuring project, which would entail a great number of job cuts. On 18 June, the FSC announced a list of fifty-five nonviable firms affiliated with the nation's key giant chaebols, ushering in drastic corporate

restructuring. The list included twenty troubled units of the five biggest chaebol; Hyundai, Samsung, Daewoo, LG and SK. About 30,000 workers at the fifty-five insolvent firms were to join the layoff spree in the latter half of 1998 (*Chosun Ilbo* 19/06/1998). The announcement was followed by another plan to liquidate five provincial banks whose number of employees stood at about 10,000. Amid this government-led restructuring, the nation's unemployment figure was already reaching 1.5 million as of the end of June 1998.

During the July and August 1998 struggle, the confrontation displayed a tense balance between the state and labour. In July, as the jobless situation worsened, the dovish FKTU announced that it would not participate in further tripartite meetings unless its demand to put an end to layoffs was met, and criticised the tripartite committee for degenerating into rubber-stamping government-led restructuring programs (*Hankyoreh* 11/07/1998). Displaying solidarity, the KCTU and the FKTU announced that they would hold a large-scale rally and launch another round of general strikes in July. On 12 July 1998, about 100,000 union workers from across the nation gathered in Seoul. At the rally, the two unions vowed to fight the government's forced restructuring to keep their jobs. The FKTU head, Park, urged participants to stand up for their 'right to survive' and called for the abolition of government-led forced restructuring (*Hankook Ilbo* 13/07/1998). The leadership of the KCTU reaffirmed their determination to go on nationwide strike unless the government accepted their demand to scrap industrial restructuring. Surprised by the strong solidarity, the government came to the negotiation table. On 24 July, the government agreed to accept some union demands, including a National Assembly hearing on the causes of the economic crisis (*Hankook Ilbo* 25/07/1998). This was followed by the announcement of the two labour unions that they would return to the KTC table for

future negotiations. However, they failed to bridge differences on the most inflammatory point : re-negotiation of the lay-offs.

The Hyundai Motor case was a reflection of the tense balance of power between the state and labour. In the middle of August 1998, the tension was mounting in the southern industrial hub of Ulsan. Hyundai Motor's production lines in Ulsan had been shut down since July 20 when unionized workers walked out in protest over the management's decision to dismiss more than 1,500 employees. Union leaders called on the management to scrap all its layoff plans and instead accept wage cuts as an alternative measure. But the Hyundai management repeated that they would not return to the negotiating table unless the union accepted the minimum scale of workforce reduction. Unionists seized production facilities and closed off the plant.

As the stalemate continued, the government tried to intervene to find a peaceful solution. At the same time, the Prosecutor-General's Office revealed that it would send forces to arrest key union leaders and disband the demonstrators (*Korea Herald* 18/08/1998). Meanwhile, the workers occupying the factory braced themselves for an apparently imminent police attack by setting up makeshift barricades inside the factory gates. The labour union deployed about 2,500 workers wearing red head bands and green T-shirts at the company's gates. They were armed with iron pipes and fire extinguishers. Some 200 women and children (who had been picketing alongside their husbands and fathers) were placed in front of the main gates' barricade. The head of the KCTU warned that if the government used force to disperse the workers, the KCTU would launch a massive anti-government street demonstration (*Korea Herald* 20/08/1998).

Amid this tension, a resolution over layoffs was reached around the end of the month through labour and management dialogue. The compromise of allowing 277

workers to be laid off, instead of the original figure of 1,538, was reached in government-mediated negotiations (*Korea Herald* 25/08/1998). The agreement to lay-off 277 workers reflected the tense balance between the government and the unions. It also highlighted a dilemma of a democratic regime in that it was problematic to use force to intervene into industrial relations.

However, it was, in a sense, a set-back for the government's determination to implement the lay-off system. Faced with labour militancy, the principle of lay-off was greatly tarnished by the fact that only a fifth of the proposed number of lay-offs was accepted. Hyundai Motors failed to lay-off workers even if any lay-off was stipulated by the revised laws. As a result, it became likely that other chaebols could not trim their workforces whenever necessary. The two unions regarded the result of Hyundai Motor dispute as a victory in their months-long confrontation with the government (*Chosun Ilbo* 25/08/1998).

In the wake of the set-back in the highest point of tension momentum built for the state to reverse the power balance. A strike broke out in a unit of chaebol Halla, Mando Machinery Corp, the nation's largest auto parts maker, where 4,500 union members were demanding the cancellation of a lay-off plan made by the management. Union leaders alleged that the company notified its unilateral decision to lay-off workers on 23 July 1998, breaking the earlier accord with the union that there would be no forceful reduction in the workforce. For foreign investors and domestic business leaders the strike at Mando Machinery was raising the fear of the possibility that it might lead to a situation similar to that of the Hyundai Motor case. The Mando case tested the government's determination to pursue the labour flexibility policy demanded by the IMF.

On 3 September 1998, more than 10,000 riot police raided six Mando Machinery Corps factories (the nation's largest auto parts maker) to end a seventeen-day-long strike. Armed with tear gas, water canons and heavy equipment, riot police charged into the factories at about 6 am. The police actions, beginning simultaneously, involved a total of 14,000 officers. They broke down barricades set up at the gates to come into factories in Asan, Pyongtaek, Iksan, Munmak and Kyongju. Helicopters hovered over the factory grounds, acting as command posts in controlling the movements of those below. Water cannons were also used to put down demonstrators. The workers protested violently in the initial stages of the police action. Some workers retreated to the roofs of buildings, throwing down Molotov cocktails and auto parts in a vain attempt to block the advancing ranks of policemen. The police operations were by and large completed by 9 am, three hours after they began. Police arrested about 1,000 union workers at the factories and pressed charges against hardcore members, including a dozen union leaders (*Korea Times* and *Korea Herald* 04/09/1998).

7.4.1.2 Korean Labour under the Control of the State

The Mando case became a turning point where the balance of power began to tilt toward the state. As soon as the state chose its right of 'monopoly of violence', the confrontation (which had displayed a kind of sew-saw game for several months) ceased immediately. Korean labour without any political alliance was just a vulnerable group of oppressed working class people. Kim Dae Jung and his party successfully appealed to national-popular support in the slogan of 'save the nation!'. The public regarded the state's attack on labour as merely a necessary and inevitable step during the process of the nation's rehabilitation. Even the opposition party kept

silent, watching the swift and powerful drive for economic restructuring in the first half of the Kim Dae Jung regime.

In the absence of an effective strategy, the unions had to choose a desperate form of struggle: a hunger strike. To protest the mass unemployment, in the winter of 1998, Lee Kap Yong, the head of the KCTU went on a hunger strike in a small protest camp draped with banners that read 'End Lay-offs' and 'Guarantee Job Security' located beside the National Assembly building. The jobless rate was rapidly escalating. In December 1997, when the government applied for the bailout from the IMF, the jobless rate was tallied at 3.1 percent, or 658,000 people. It rose sharply to 5.9 per cent at the end of February 1998, reaching a thirty-year high of 7.6 per cent (or 1.65 million people) at the end of July 1998. By February 1999, the unemployment rate recorded 8.6%, leaving 1.78 million people jobless (KLI 2000; 2001, MOLA 2001b; 2001c), the KCTU broke away from the KTC, criticizing the tripartite panel for its partiality and calling it a puppet of the government. Soon after, the FKTU left the tripartite panel. The KTC became a crippled institution, with the two unions out of the Committee.

To break the inertia, the unions attempted to launch another round of strikes in the spring of 1999. However, the state already secured an unshakable position against the already embattled Korean labour. To defy the government's plan to lay-off about 2,000 subway workers, the KCTU declared an 'all-out struggle' and scheduled a nationwide general strike on May Day 1999.[13] In response to this, the government ordered the prosecution to take stern measures against illegal strikes (*Chosun Ilbo*

[13] The Seoul Subway Corp. union resisted a management plan to release 2,078 employees out of the total workforce of 11,492. Management argued that the 20 percent layoff was indispensable because of chronic deficits. The SSC, operating subway lines one, two, three and four, revealed that it had been losing 1 billion won a day due mainly to inefficiency in personnel management (*Korea Herald* 20/04/1999).

15/04/1999). On 19 April, thousands of Seoul subway workers went on strike to protest planned staff reductions. The government immediately threatened the striking subway workers with legal action if they did not return to work. The ultimatum came five days after some 6,950 Seoul subway unionists went on strike (April 19). In a hardline stance, the government announced its plan to dismiss any subway worker refusing to return to work by a 4 am 26 April deadline. About 3,000 of the Seoul subway workers who were staging sit-in protests at Seoul National University fled the campus in anticipation of law enforcement authorities sending in riot police to break up the ongoing strike (*Korea Times* 25/04/1999). About 5,000 workers, or 52 percent of a total of 9,756 subway unionists, went back to work before the deadline. Not surprisingly, the nationwide protest organised by the KCTU for May Day lost steam as the subway union ended the strike. A mass rally by Korean workers took place as scheduled, but fell tremendously short of expectations in terms of labour attendance. The government was successfully taming Korean labour, which was the biggest factor in terms of the success or failure of the industrial restructuring.[14]

Indeed, the state's best method of dealing with labour was its repressive apparatus, although sometimes it went too far as to endanger the legitimacy of the regime.[15] The first two years of the regime exerted a ruthless onslaught on Korean labour. The neo-liberal implementation, which was the intensive restructuring drive

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[14] However, the government did not always turn a blind eye to the requests of the unions. In May 1999, the KTC consolidated its institutional position as an advisory body to the President with the passage of the law through the National Assembly. The KTC became entitled to require the government to submit documents and request Cabinet members to appear before it. Through this arrangement the government succeeded in normalising the stalled tripartite panel. The third-stage of the neo-corporatist arrangement went into operation in September 1999. But the progressive KCTU did not join, remaining outside of the KTC until the end of the Kim Dae Jung government.

[15] In June 1999, newspapers quoted Jin Hyung Goo, a former director of the public security department at the Supreme Public Prosecutor's Office, as telling reporters that the prosecution induced the strike at the Korea Mint Corp, then squashed it as a threat to unionists considering strikes at other public firms. Some 200 KCTU leaders went on hunger strike demanding an investigation into the alleged involvement of the public prosecutors.

by the government, accompanied *the imprisonment of 439 workers and trade union activists and leaders during the first two years* (KCTU 2001a; 2001b). And, whenever thought necessary, the government did not hesitate in using mass police. In 2000, about 3,000 riot officers were sent to break a strike of women workers at the Hotel Lotte; a unit of the chaebol Lotte. In 2001, 3,000 riot police stormed the Daewoo Motors plant to end the sit-in strike by 400 union members protesting the retrenchment dismissal of 1,700 workers (KCTU 2001a). The KCTU president, Dan Byung Ho, was wanted for arrest in early June 2001 for leading the KCTU campaign. He was later arrested and imprisoned until the end of the Kim Dae Jung regime. In the first two years, Korean labour's noticeable achievement was the legalisation of the teachers' trade union and KCTU. But it must be noted that this achievement was promised in the agreements in the 1998 Grand Compromise. [16]

7.4.2 The Bourgeois Opposition Party and the Frustrated Introduction of the Five Day Workweek System

7.4.2.1 The Return of the Old Friend

It is not surprising that the onslaught on the labour class alienated the regime from broad public support. The working class support, the main contributor to the Kim Dae Jung's victory of the 1997 election, was ebbing away rapidly. The jobless rate was continuously soaring and the initial efficiency of state strategy resorting to patriotic sacrifice of the people was being pushed to its limit.

The slogan of 'productive welfare' raised by President Kim in his National Liberation Day speech in August 1999 was based on the realisation of the decreasing working class support. The politically weak minority regime was looking to the upcoming general election in 2000. At this point, we find a sharp division in the

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[16] One key labour achievement in the KTC was the passage of legislation allowing teachers to organise and join a teachers' union, paving the way for the long-fought-for legalisation of the *Chunkyojo*, the Korean Teachers and Educational Workers Union (KTU).

attitude of the regime regarding the working class in Korea. The dual class nature of the Kim Dae Jung state vis-à-vis Korean labour was revealed: authoritarian repression in the first half of the regime; and benign measures and material concessions in the second half. The political forces of the ruling regime and the labour unions were traditional allies during the entire period of the democratisation movement against military dictatorship. For reasons devoted to the recovery of the national economy, the Kim Dae Jung state initially launched the formidable repression on labour unions. The same capitalist state then decided to support Korean labour in the second half of the regime. The dual approaches towards labour unions can be best understood with the concept of the state as the 'generator of strategy'.

It is in this context that we can understand the government effort to introduce the working hour reduction system, which Korean labour had long sought to achieve. The 'old friend' finally came back to embrace embattled Korean labour. However, the following section shows that the state, encumbered with the solid alliance between capital and the bourgeois party during the second half of the regime, was not able to introduce the long-cherished working hour reduction system on behalf of Korean workers. *'Fragile state unity' in the second-half of the regime* (which we saw in chapter six) *eroded the necessary relative autonomy of the state from capital and the opposition GNP. This led to a lack of coordinating ability of the state, which was the essential element for the introduction of the new five-day working system.* The labour unions had to undergo yet another period of frustration. Although the old friend, Kim Dae Jung, was on the labour side this time, the GNP was a powerful ally for capital, which opposed the introduction of the new working system. Korean labour failed again to realise its most important goal; the realisation of the working hour reduction.

7.4.2.2 The Abortion of the Introduction of the Working Hour System

After the two year struggle for the prevention of mass unemployment was paralysed by the neo-liberal attack, Korean labour set up a new target; the introduction of the working hour reduction system. At the beginning of 2000, the two national unions formally declared the reduction of weekly working hours as one of their foremost objectives. According to the unions, Korea ranked 13th in the world in terms of GDP and 37th in per capita income, but Koreans were found to work 47.9 hours per week, the highest total among OECD countries. What the unions wanted was the revision of the 49th article of the Labour Standards Law to reduce weekly working hours from 44 hours to 40 (FKTU 2002).

On 17 May 2000, the KTC, led by the government, reached a consensus on initiating the Special Committee on Working Hour Reducing (MOLA 2000; 2001a), although employer associations were concerned about the system on the grounds that the five-day workweek was premature for Korea and, if introduced, would sharply weaken corporate competitiveness. Despite objections from the business circle, labour's optimism was strengthened as President Kim affirmed in June 2000 that the government was willing to positively review labour's demands for the introduction of a five-day workweek system. However, it remained to be seen whether the regime was able to do what it intended.

On 24 October, after several months' tug-of-war, the principle of adopting the five-day system was made in the KTC after the employers, who had maintained a stubborn position against allowing their workers to have days off, made a dramatic concession to labour's persistent demand. Business and labour paved the way for a five-day workweek system by agreeing to reduce the legal number of working hours to forty per week and less than 2,000 per year. However, the agreement was only about the principle that the nation should move toward adopting a five-day workweek.

Business and labour were about to face many obstacles and tackle a myriad of questions. In the course of negotiations, difficult problems were to be solved, such as the time of introduction of the system and the possible change in wages in accordance with the introduction of a shorter workweek. It remained to be seen whether the settlement of the keen issues would meet labour's optimistic expectation because, as we saw in chapter six, 2001 was to be the year of the big clash between the conservatives and the progressives in Korean society.

As expected, the compromise between capital and labour dragged on without any progress at the KTC negotiation table. In May 2001, the Labour Ministry, anxious to get along with its public commitment to the system, announced its plan to push for a shorter workweek until the end of the year and urged the KTC to reach a consensus as soon as possible (*Donga Ilbo* 29/05/2001). In July President Kim again stressed that a conclusion should be promptly made to the ongoing discussions between the government, labour organizations and management on the introduction of the shorter workweek. Finally, at the end of the month Labour Minister Kim Ho Jin revealed that the government would submit its own bill to press ahead with a five-day workweek even if labour and management failed to reach a consensus on the issue (*Kyunghyang Shinmun* 24/07/2001).

Contrary to labour's welcoming of the government's unilateral move, business circles reacted fiercely; vowing to thwart the government-led attempt to implement the five-day workweek. Korean capital was no longer the embattled social class which the state could control as in its first half of the regime. With the IMF gone and its limits as a minority government growing, the formidable state power during the time of the neo-liberal attack was undergoing an inevitable downgrade. The leaders of the KEF and four other major business organizations, including the Korea Chamber of

Commerce and Industry, the Federation of Korean Industries and the Korea International Trade Association, held an emergency meeting in August 2001 and called for a more cautious approach to the five-day workweek on the part of the government. They expressed their concern that the five-day workweek would increase corporate labour expenses by fifteen percent, dealing a blow to the firms' productivity, competitiveness and finances (*Donga Ilbo* 30/08/2001). This move was followed by the support from their traditional ally, the (bourgeois) majority opposition GNP. The GNP made it clear that it opposed a five-day week, criticising the government for its failure of coordinating a tripartite compromise on the five-day workweek. (*Chosun Ilbo* 08/10/2001).

As long as the GNP opposed the introduction it was impossible for the minority government to pass the bill in the National Assembly. The balance of power between the ruling party and the opposition party had already tilted toward the opposition. As the introduction of the system became unpromising by the end of 2001, the FKTU chairman, Lee Nam Soon, [17] decided to leave the KTC again, boycotting talks on the introduction of a five-day workweek. Referring to the humiliating defeat of the ruling party in the by-election (reviewed in chapter four), he stated that "The business community assumed a hard-line stance in discussions on the five-day workweek, following the recent re-election of National Assembly members" (*Donga Ilbo* 14/11/2001). As he pointed out, the ongoing attitude of capital toward the working hour reduction issue reflected capital's defiance against the state. And the chaebol attempted to terminate the government and labour plan to introduce a five-day workweek system. Although a group of the ruling MDP members pushed for a

[17] Lee became the FKTU's secretary-general in 1997 and was elected as its chairman in May 2000, in a by-election to fill the vacancy left by Park In Sang.

new bill to introduce a five-day workweek and submitted the bill to the National Assembly's Environment and Labor Committee in January 2002, the move was blocked in the Committee by the GNP members (*Hankyoreh* 05/02/2002).

Realising the limits of its unilateral attempt for legislation, the government arranged again to reach a compromise at the KTC negotiating table. The FKTU leader, Lee Nam Soon, decided to join the talks in his eagerness to introduce the system by the end of the Kim Dae Jung regime (*Korea Herald* 08/02/2002). With President Kim's tenure with less than a year remaining, the last negotiation started in February 2002, and lasted a few more months. On 23 July 2002, with no further meeting scheduled, a KTC high-level meeting was held with Bang Yong Seok, the minister of labour, Lee Nam Soon, chairman of the FKTU and Kim Chang Seong, chairman of the KEF in attendance. They failed to grapple with two thorny issues: how many vacation days workers should get after the workweek is shortened, and what pay adjustments, if any, were needed to protect current wage levels (*Korea Times* 23/07/2002). Thus, the two year negotiations finally broke down. The talks started when the KTC created an ad hoc committee in May 2000 in order to resolve the most contentious labour issue in the nation in a neo-corporatist arrangement. However, the government could not play a successful coordinating role in forging a solution to the controversial matter.

As a final desperate effort the government again decided to draft its bill on a five day workweek. With the government in the final stage of drafting its bill on August 2002, the nation's five leading business organizations called on the government to push back the introduction of a new workweek by one year. In the boldest gesture thus far, they called for the government to postpone the implementation of the system. Meanwhile, the labour unions demanded that the

government bill should safeguard against pay cuts and a deterioration of overall working conditions. They argued that instead of caving in to business pressure to delay the new workweek system, the government should draw up the bill in such a way that boosts workers' quality of life (*Korea Times* 23/08/2002).

On 5 September 2002, the Labor Ministry presented the bill to the National Assembly. According to the draft, weekly working hours were to be reduced to 40 from the current 44. The new standard was supposed to be introduced in four stages. The public and finance sectors as well as companies with 1,000 employees or more were to be the first to adopt the new workweek system, starting in July 2003. The system was to then expand from July of each following year to cover workplaces with 500 or more employees, then firms with 300 or more, fifty or more and finally in 2006 to thirty or more. Therefore, the phased implementation of the system excluded workplaces with less than thirty employees (*Hankyore*h 06/09/2002).

The draft turned out to be the result of what nobody, except the government, seemed to want. Labour said that it would not accept the proposal since it excluded the eight million workers at companies employing payrolls of less than 30 personnel. The business circle also objected to the bill. The five business organizations issued a joint statement alleging that the government's bill fell short of international standards and could decimate financially weak chaebols and most small businesses (*Hankyoreh* 07/09/2002). The FKI announced that it would oppose the government's planned introduction of the five-day workweek. The opposition GNP assailed the government for pressing for the introduction of the five-day workweek at a time when there was no consensus between labour and business organizations on the issue. Lee Hoi Chang, the GNP leader, made clear his opposition to the comprehensive implementation of the bill (*Chosun Ilbo* 06/09/2002).

Amid this confusion and confrontation, the Assembly's Environment and Labour Committee decided to suspend its deliberations on the government-proposed bill on the grounds that labour and management had irreconcilable differences on almost all key issues - including when to implement the five-day workweek, how many legal holidays to slate under the new system and whether or not to make Saturdays paid holidays. The truth was that the majority bourgeois GNP, the ally of capital, did not want to pass the bill and the ruling party did not want to square off against the two powerful interest groups - trade unions and employers – with the presidential election only a month away. The prospects for the introduction of the system looked bright when labour and business came close to a compromise in October 2000. However, political vicissitudes unfolded in favour of Korean capital. Korean labour again failed to achieve their objective.

Conclusion

This chapter explored the two questions. 1) What was the class nature of the Kim Dae Jung capitalist state? 2) What was the main cause of the unions' failure of attaining their goals despite the advantageous *form* of the state characterised by 'increased labour power'?

I argued that the dual aspects of the Kim Dae Jung regime in its relationship with the Korean labour unions can be comprehensively explained by actively embracing the concept of the capitalist state as 'the site and subject of strategy'. I highlighted the existence of a 'subjective relation' to pinpoint an ontological source of 'strategy of the capitalist state' as well as a basis of the relative autonomy of the state. By doing so, I opposed the argument that state power (that of the bourgeoisie, in the case of the capitalist state) is written into the reproduction mechanism of the

economic system. The capitalist state is *not* 'a committee for managing the common affairs of the whole bourgeoisie.'

State power in the first half of the Kim Dae Jung regime was anti-capitalist to the extent that it stunted the conditions for capital accumulation during its chaebol reform process (although the chaebol reform was state activity to restore the conditions for capital accumulation in the long run). At the same time, it was anti-labour to the extent that it repressed labour and created unemployment during its financial and industrial restructuring drive. State power in the second half was pro-labour in so much as it created, maintained, or restored the conditions for social cohesion by trying to introduce a five-day workweek system. The class nature of the Kim Dae Jung regime corresponded to the regime's strategic necessity, in the specific dilemma of domestic corporatism and international neo-liberalism. The Kim Dae Jung regime was not a bourgeois state in a Poulantzasian sense, but it was not a pro-labour state in a Milibandian sense either: Their friendship did not matter.

This chapter investigated the cause of the unions' frustration in the context of the *form* of the Kim Dae Jung state. I analysed how 'increased labour power' became enervated by a double attack of 'exacerbated dependency' and 'fragile state unity' and argued that the frustration of the unions was structurally determined by the formation of the *form* of the Kim Dae Jung state constituted by 'exacerbated dependency' at the level of international economy and 'fragile state unity' at the level of the form of the regime. The structural formation deprived the unions of the availability of a proper strategy to establish a political alliance with domestic political forces. The absence of political alliance heralded the ordeal of labour and signalled the erosion of labour's power, which was one of the elements constituting the *form* of the Kim Dae Jung state.

The change of the form of the state, i.e., the departure of the IMF, turned out to be the extension of the disadvantageous structural formation constraining the labour unions. Whereas *the change of the form* of the Kim Dae Jung state provided a great structural opportunity for the chaebol (as seen in chapter six), *the change* aggravated the state's position in its fight against the chaebol and the opposition GNP. The old friend, Kim Dae Jung, finally came back to stand on the labour side, but the aggravated position blocked the state's effort to supply the necessary political support for labour. Korean labour could not capitalise on the *change of the form* of the state. The unions witnessed rising mass unemployment, suffering unexpected state repression in the first half of the Kim Dae Jung regime. The second half was the same story; the political weakness of the regime and the corresponding upheaval of bourgeois power led to the unions' failure to attain their long-cherished objective: a five-day workweek system.

CHAPTER 8: PEOPLE' S POWER, STATE STRATEGY AND THE UNITY OF THE NATION

Introduction

This chapter investigates a hegemonic project of the Kim Dae Jung regime. In the same way as in previous chapters the investigation will be conducted in the context of the *form* of the Kim Dae Jung state. However, the study of the hegemonic project needs to take into consideration 'officialdom-people' relations. Thus, this chapter will draw our attention to one more important aspect, i.e., 'increased people's power' under the Kim Dae Jung regime. In this chapter, the *form* of the Kim Dae Jung state is defined as an ensemble of 'exacerbated dependency'; 'increased labour power'; 'fragile state unity'; and '*increased people's power*'.

According to Jessop, the realization of a hegemonic project ultimately depends on three key factors: its relation to accumulation, its structural determination, and its strategic orientation (Jessop 1990: 209). I will argue that a success of a hegemonic project of the Kim Dae Jung regime was limited from the beginning owing to its relation to accumulation and structural determination, and that it was further aggravated by an incorrect strategic orientation which ran counter to the *form* of 'increased people's power'.

8.1 Hegemonic Project and National-Popular Project.

To meet the purpose of this chapter it is essential to understand some key concepts in this section. 'Hegemonic project' is a term in Jessop's state lexicon and it is one of the key concepts we need to understand for comprehending state activities. It is closely related to a paradoxical aspect of the state. Jessop argues that the paradox is rooted in the fact that the state is but one institutional order among others in a given social formation; and yet it is peculiarly charged with responsibility for maintaining

the integration and cohesion of the wider society. In one respect, then, it is just a 'part' of society; in another, by virtue of this political responsibility, it is the 'whole' (Jessop 1990: 346). Hegemonic project is a state action to unify the part and the whole altogether for the total integration and cohesion of society. For this reason, a proper analysis of the state requires the investigation of the state's hegemonic projects played at a specific conjuncture.

The term 'hegemonic project' is a sort of derivative from the Gramscian term 'hegemony', but it was coined in order to emphasize a dynamic movement of state leadership towards definite aims in specific conjunctures (Jessop 1991: 182). This seems to reflect the *statist* view that the state is the crucial site for implementing social changes and that the social changes need to be considered in relation to state activities.

Gramsci's 'hegemony' which is the essence and central nucleus of his conceptual system, stresses that the rule of one class or group over the rest of society does not depend on material power alone; in modern times, at least, the dominant class must establish its own moral, political and cultural values as conventional norms of political behaviour.[1] (Femia 1987: 2). However, there remains a tendency inherent in many uses of Gramsci to reduce hegemony to a rather static consensus and/or a broadly defined common sense (Jessop 1991: 182). The term 'hegemony' is defined rather in the context of a class's predominance over others in the capitalist society. It

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[1] Socialists had faced the failure of the socialist revolution to spread outside Russia, the crushing defeat of the post-war rebellions in Germany and Hungary, and the subsequent rise of popular right-wing movements. The stalemate led Gramsci to throw grave doubts about the theoretical foundation of revolutionary action and he came up with his 'hegemony' which became an intellectual breakthrough. Gramsci's 'hegemony', as both a conceptual tool and a socialist strategy, enabled him to answer the following questions which had plagued Marxist thought. First, why was there a gap between Marxist theory and proletarian practice? In other words, why did Western industrial workers not take the path set out for them by Marxism - why did they not become the gravediggers of capitalism? Second, how could socialists close this gap - by what means could a revolutionary party increase its support and eventually attain power in the highly developed societies of the West? (Femia 1987: 2-7).

is the predominance obtained by consent rather than by force of one class or group over other classes. Despite the contribution of the new concept, it is true that the concept failed to reflect the dynamic movement of social changes in a society. Although Gramsci implied the dynamic of 'hegemony' when he mentioned 'passive revolution', 'war of manoeuvre', and 'war of position' (Gramsci 1983: 106-114), it should be admitted that 'hegemony' is a rather static discourse due to its usual reference to class dimension.

On the contrary, 'hegemonic project' reveals a dynamic feature of hegemony, since the concept is directly related to state leadership. State leadership must be exercised because the social bases of support for and resistance to the state is not a pre-given and unified force. The social bases of the state are heterogeneous and the different social forces vary in their degree of commitment to state policies. The state as a factor of social cohesion should engage in securing the unity of society. We can grasp the concept of 'hegemonic project' more clearly by noting that Jessop refers to two different levels of unity that could be achieved by the state. He points out that earlier state theorists failed properly to distinguish between the strictly administrative problem of 'apparatus unity' and the more general problem of the state's potential role in unifying a society divided into classes. He says;

> We need to separate analytically the sort of political hegemony involved in securing the substantive institutional unity of the capitalist type of state from that which is involved in infusing this institutional unity with a definite class unity. In addition, the substantive institutional unity of the state could be understood narrowly (as the state's capacity to use constitutionalized violence to reproduce its own institutional system and secure compliance with its policies in the face of resistance) and/or more broadly in terms of its capacity successfully to perform its global political function of maintaining social cohesion. Only where these unities were combined with a national-popular project would the state and its managers become the political *Traeger* (support) of capitalist interests. In the absence of such a hegemonic project successfully linking institutional and class unity, however, state managers themselves might constitute the unity of the state around its narrow political functions at the expense of the state's global political function. Or, worse still, the unity of the state, always provisional, unstable, and tendential, might collapse completely' (Jessop 1990: 8)

Thus, a hegemonic project should be defined as the state's activity for the total unity of a whole society. The support for and resistance to the state depends on how the state can exercise an appropriate hegemonic project to dismantle the paradox that the state is just a 'part' of society and at the same time 'the whole of society'. The success of the hegemonic project means the equation of the 'part' and the 'whole', resulting in the perfect integration and cohesion of the society (Jessop 1991: 171).

Jessop's effort to conceptualise the state as a crucial actor for the hegemony of a society resulted in highlighting the state's active role of attracting social supports by resolving conflicts among political forces through specific political, intellectual, and moral practices. With this active role of the state in mind, Jessop offers a distinction between a 'one nation hegemonic project' and a 'two nation hegemonic project'. According to him, 'one nation strategies' aim at an expansive hegemony in which the support of the entire population is mobilised through material concessions and symbolic rewards. In contrast, 'two nations strategies' aim at a more limited hegemony concerned to mobilise the support of strategically significant sectors of the population and to pass the costs of the project to other sectors. During a period of economic crisis and limited scope for material concessions, the prospects for a 'one nation' strategy are restricted (unless it involves an equitable sharing of sacrifice) and 'two nations' strategies are more likely to be pursued (Jessop 1982: 244). For example, he argues that Thatcherism could secure its social support by launching a two nations hegemonic project.

It is not surprising that Jessop, as a state theorist, came up with the ideas of 'national-popular project' and 'national-popular program'. In the above paragraph we saw Jessop assume that the case of the most successful hegemonic project is the point where a *national-popular project* is combined with the unity of state institution and

classes to bring about a total and perfect unity of society. Let us recall that the concept of 'national-popular' dimension was also raised earlier by Gramsci. Here, Jessop's contribution is again his attempt to shed light on the dynamic movement of the state's leadership towards a specific goal, which the state tries to achieve at a concrete conjuncture.

Like the concept of 'hegemony', Gramsci's 'national-popular' has a class-related dimension as well. The subject of a national-popular movement was largely considered to be working class in its efforts to realize a transition to socialism. It is an important strategy to achieve a working class hegemony by combining its interests with those of other classes. Gramsci argued that the strategy of the working class has to go beyond sectional interests (what he calls economic-corporate struggles), and be prepared to make compromises, in order to become the national representative of a broad bloc of social forces. The strategy should be a complex one involving other classes and social forces by adopting the important new dimension of *national-popular*: a class cannot achieve national leadership, *and* become hegemonic, if it confines itself only to class interests; it must take into account the popular and democratic demands and struggles of the people which do not have a purely class character, that is, which do not arise directly out of the relations of production. Thus hegemony has a national-popular dimension as well as a class dimension. It requires the unification of a variety of different social forces into a broad alliance expressing a national-popular collective will (Simon 1991: 25). A hegemonic class is one which succeeds in combining these patriotic struggles and ideas with its own class interests so as to achieve national leadership (Simon 1991: 44).

Using the national-popular dimension of Gramsci, Jessop developed the terms 'national-popular project' and 'national-popular program' which stress a strategic

aspect of the state. He links the concept of 'hegemonic project' to 'national-popular'. Jessop says that 'in broad terms hegemony involves the development of a specific 'hegemonic project' which can resolve the abstract problem of conflicts between particular interests and the general interest. This involves the mobilization of support behind a concrete, *national-popular programme* of action which asserts a general interest in the pursuit of objectives (Jessop 1990: 161). This line of argument is repeatedly introduced in his work; "this structural asymmetry is reinforced to the extent that such pro-capitalist measures can be linked to the *national-popular goals* defined in the prevailing 'hegemonic project" (emphasis added) (Jessop 1990: 185). Jessop further notes that "in addition to the aspect of structural determination, attention must also be paid to the development of a hegemonic project which successfully links the realization of certain particular interests of subordinate social forces to the pursuit of a *national-popular programme* which favours the long-term interests of the hegemonic force" (emphasis added) (Jessop 1990: 209). The state then appears to be equipped with a tool of a national popular project for accomplishing its hegemonic project.

By linking the concept of 'hegemonic project' to the 'national-popular' Jessop highlights the importance of non-class forces in securing the hegemony of the dominant class. To resolve conflicts among different political and social forces the state develops the national-popular project which asserts a general interest in the pursuit of objectives that explicitly or implicitly advance the long-term interests of the hegemonic class (fraction) and which also privileges particular 'economic-corporate' interests compatible with this programme. Conversely, those particular interests which are inconsistent with the project are deemed immoral and/or irrational and, in

so far as they are still pursued by groups outside the consensus, they are also liable to sanction (Jessop 1990: 208).

8.2 The State and the Axes of Class Relation and 'Officialdom-People' Relation

The other couplet of analytical concepts needs to be recalled. The state apparatus is a system of political class domination and state power is a form-determined condensation of the balance of class forces. But the state can be examined in relation to other axes of determination and the class aspect of the state is over-determined by various kinds of non-class relations (Jessop 1982: 247). Broadly speaking, the state can be examined in relation to two major axes of determination; the axes of class relations and 'officialdom-people' relations because the state is situated at the intersection of two sets of relations and must be considered in terms of the interaction between them (Jessop 1980: 56). Thus, the class aspect of the state is over-determined by the other aspect of the state as a site of 'officialdom-people' relation (Jessop 1982: 247).

The two axes of determination can be investigated in their relations to 'hegemonic project' and 'national-popular project' in studying the chaebol reform.

The possibility of a successful implementation of a state policy increases when the state manages to minimize the degree of the resistance against the state policy from the people in the 'officialdom-people' relation. It also depends on how the state (as the site determined in class relation) can circumvent the opposition of the social classes concerned. It follows that the chaebol reform of the Kim Dae Jung regime was determined by two sets of the relations: its relations to Korean social classes and the civic groups (in so far as those civic groups are true representatives of people's power). Thus, the success of the chaebol reform policy depended on how well the regime minimized the resistance/or maximised the support of civic groups. It was also

subject to the efficiencies of state strategies in terms of making itself free of constraining opposition from both the chaebol and labour unions.

In this context, the national-popular project initiated by the Kim Dae Jung regime was a significant factor in the development of the chaebol reform implementation. As a national popular project can minimize the resistance of the people and alleviate class demands, it could be a powerful tool of the state apparatus for chaebol reform policies. A nation which is oppressed by another develops traditions of struggle for national liberation, and indeed in the course of history the people of every country develop powerful ideas, expressed by terms like 'patriotism' and 'nationalism' which can, as Gramsci says, have the force of popular religions (Simon 1991: 44). The patriotism and/or nationalism stirred up by the Kim Dae Jung regime in the wake of the 1997 national economic crisis was indeed 'the force of popular religion' to mobilize the entire support of the Korean population and circumvent the opposition class forces against the chaebol reform under the banner of 'save our nation'. The national-popular project of the regime was an effective machine in invoking the patriotism of the Korean population. The regime managed to invigorate the chaebol reform with an appropriate strategy of invoking national popular patriotism. The strategy became an important element for the chaebol reform of the Kim Dae Jung regime.

8.3 The Chaebol Reform and Declining Class Support

The realization of a hegemonic project ultimately depends on three key factors: its relation to accumulation, its structural determination, and its strategic orientation (Jessop 1990: 209). Before we investigate the hegemonic project of the Kim Dae Jung regime - 'Second Nation Building Movement' (*Jei-KeonKuk-WoonDong*) - in the context of the *form* of the state, i.e., its structural determination,

we need to realise that the regime's social base of state power was vulnerable owing to the entailing effects of the chaebol reform on Korean social classes. In other words, the success of a hegemonic project of the Kim Dae Jung regime was questionable because of its relation to capital accumulation. But the unstable base was overcome to a great degree by the state's effort of invoking national-popular patriotism. A success of this effort became a stepping stone for launching the ambitious hegemonic project by the regime. It is necessary to review this process before focusing on the hegemonic project itself in the next section.

The chaebol reform undermined the basis of the success of the hegemonic project because it weakened the social bases of state power. It presented structural limits to an expansion of class support essential for the success of the hegemonic project in that chaebol reform was an 'unusual form of accumulation strategy'.

'Accumulation strategy' is Jessop's term. The conceptualisation of the term begins with his argument that the value form[2] is indeterminate and must be complemented by *strategies that impart some substantive coherence to what would otherwise remain formal unities* (Jessop 1991: 157). According to Jessop, "the accumulation of capital is the complex resultant of the changing balance of class forces in struggle interacting within a framework determined by the value form. The value form is the fundamental social relation that defines the matrix of capitalist development..... the value form is linked to the law of value. This is the mechanism governing the allocation of labour time among different productive activities according to the fluctuation of market prices around prices of production which reflect the socially necessary labour time embodied in different commodities" (Jessop 1991: 158; 159).

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[2] 'The law of value' is one part of Marxist economics widely abandoned by many economists. See Steedman 1981.

After stressing the formality of the value form Jessop considers the importance of the strategies of economic actors for the substantiality of capital accumulation. He says that "although it is impossible to understand the historical specificity of capitalism without reference to the complex ramifications of the value form, the value form itself does not fully determine the course of accumulation.....in short, although the basic parameters of capitalism are defined by the value form, form alone is an inadequate guide to its nature and dynamics.....Within the matrix established by the value form there is considerable scope for variation in the rhythm and course of capitalist development.....the value form constitutes a terrain for various attempts to reproduce the capital relation and *the nature of accumulation depends on the success or failure of these attempts"* (emphasis added) (Jessop 1991: 157-159). For Jessop *these attempts are the space for strategies to step in for the substantiality of capital accumulation.* He argues that "in examining these attempts we need to develop notions for the analysis of economic strategies" and concludes that "an 'accumulation strategy' defines a specific economic 'growth model' complete with its various extra-economic preconditions and outlines the general strategy appropriate to its realization" (Jessop 1991: 160).

Again, the term 'accumulation strategy' is as much concerned with state leadership as his 'hegemonic project' and 'national popular project'. This association of 'accumulation strategy' with state leadership is revealed clearly when he gives examples of capital accumulation strategies: the 'import-substitution' and 'export-promotion' growth models developed in Latin America; the so-called 'export substitution' model; Japan's 'rich country and strong army' strategy from the Meiji Restoration through to its military defeat in 1945; Japan's postwar strategy of peaceful export-led growth under the aegis of state-sponsored finance capital trusts;

and the nationalist strategy of indicative planning and modernization in postwar France (Jessop 1991: 164).

The chaebol reform was an unusual form of accumulation strategy in the sense that the reform was not intended to increase valorization of capital but it was aimed at a temporary de-valorization. The unprecedented scale of industrial and financial restructuring of the country restricted production and brought about an immense scale of unemployment, which corresponded to a minus growth of the national economy. Strictly speaking, chaebol reform was a 'diminution strategy' rather than an 'accumulation strategy'. It imposed great pain and sacrifice for major social classes. As we have seen in the previous chapters, the reform policy brought about a broad range of industrial and financial restructuring which imposed restrictions on the investment performance by individual capitals in the country. Moreover, it stressed the de-valorisation of individual capitals for the long-term stability of the national economy. This state measure accompanied such a *dirigiste* form of state intervention into the economy that it even endangered the legitimacy of the regime led by the former democratization movement leader, Kim Dae Jung. The authoritarian form of state intervention such as the government pressure for the so-called Big Deals among big capitals in Korea deprived the state of the necessary support from monopoly capital.

At the same time the accumulation strategy meant disaster for Korean labour. The chaebol reform pursued at the conjuncture of the nation's economic crisis was not compatible with the condition of a successful hegemonic project, since the successful pursuit of a hegemonic project, as Jessop points out, depends on the flow of material concessions to subordinate social forces and thus on the productivity of the economy (Jessop 1990). In popular parlance, wealth must first be created before it can be

distributed. However, the chaebol reform meant a restriction on production capacity which blocked the flow of material concessions to subordinate social forces. As seen in chapter seven, the chaebol reform created unprecedented mass unemployment following state action to restructure the industrial and financial sectors of the national economy. The jobless rate increased up to 7.6 percent in the wake of the first phase of restructuring and reached 8.6 per cent, leaving 1.78 million people jobless by February 1999 (KLI 2000; 2001). Labour unions withdrew their political support for Kim Dae Jung, designating the leader as 'the enemy of Korean labour' following a series of defeats in confrontation with the state.

This indicates insufficient and even detrimental conditions of the accumulation strategy incompatible with a hegemonic project of the Kim Dae Jung regime. The reform threatened the basis of indispensable class support for a hegemonic project. Whereas the chaebol reform policy was an imperative economic objective of the state, the policy was at the same time a double-edged sword, aiming at both capital and labour, which deprived the state of necessary class support. In this context we see that the regime fell into the dilemma which made no 'nation' available for the social basis of the state.

Normally, hegemony also involves the sacrifice of certain short-term interests of the hegemonic class (fraction) and a flow of material concessions to other class and fractional forces. It is therefore conditioned and limited by the capital accumulation process. On this line of argument, Jessop claimed that Thatcherism could secure its social support by launching a 'two nations' hegemonic project.[3] According to him, Thatcherism rejects the social democratic one-nation hegemonic project which was committed to Keynesian techniques of employment maintenance and a welfare state

[3] Whereas I refer to the 'nation' in class dimension, the 'nation' by Jessop is not confined to the class dimension. Rather it refers to a broad division of the British population.

for all. Instead, the state strategies pursued by the Thatcher government accentuated a latent two nations polarization of British society. Thatcherite policies consciously played on and reinforced such divisions. This two nation hegemonic project was, he argues, the basis of the electoral victories of 1983 and 1987. The victory was the result of an alliance of the privileged nation, which reaped the benefits of the rising real wages of those in employment and the private provision (often tax-subsidized) of goods and services, against the subordinate nation, which comprised the long-term unemployed, those employed in the secondary labour market, and those largely dependent on (diminishing) public provision of goods and services (Jessop et al. 1984; 1988b: 179).

Contrary to this availability of the polarisation strategy of the Thatcher government, the economic conjuncture at which the Kim Dae Jung regime was located did not allow an availability of a nation for the strategy of the regime. As implied in the term 'pain sharing for everybody' in the wake of the 1997 economic crisis (OPM and MOLA 1999), there did not appear a broad dichotomy between the privileged nation and the subordinate nation in a broad class dimension, even if a small section of the population enjoyed the high interest rates imposed by the IMF conditionalities. The chaebol reform, characterised mainly by the restructuring of the national economy, entailed pain and sacrifice for both major classes in Korean society (Choi and Ko 2000; Jo 2000; Kim, D.C. 2000). Therefore, it should be understood that in its relation to accumulation strategy the regime could hardly expect a success of any hegemonic project due to the lack of the structural resources of class support which the chaebol reform entailed.

For this reason, the Kim Dae Jung regime relied on the invocation of national-popular patriotism for its necessary social support. The state strategy was

compensation for the loss of class support by mobilising the general support of the Korean population. In the wake of the outbreak of what the Korean people call 'the IMF crisis' the anxiety for the total collapse of the national economy was permeating into every corner of the population (Kim, H. K. 1998). In January 1998, the 'Save Korea Campaign' started. All citizens of the country participated in a pan-national drive to collect anything made of gold: rings, earrings, necklaces and gift keys, to be sold abroad as a way of earning foreign currency. Even religious organizations joined in the campaign to save the national economy. The collected stock was taken to a smelter plant where it was processed into pure gold bars, then shipped and sold abroad through trading firms. Those who brought in their gold were paid in Korean currency, and the foreign currency derived from the sales went into the national treasury. Amid this favourable public atmosphere, President-Elect Kim Dae Jung appeared in a live television discussion entitled, 'Conversation with the People' and appealed to the people to make an effort to save the nation from the foreign debt crisis and revitalize the economy. In a live nationwide broadcast he emphasized that if all people shared the burden of economic reform, Korea could be free from IMF control in the near future (*Hankyoreh* 19/01/1998).

The stirring up of national popular patriotism was a state strategy to tame the intractable chaebol and labour unions. In an effort to push monopoly capital in the direction of self-reform, the national leader warned that the chaebol would not be allowed to engage in merely cosmetic corporate restructuring amid the current economic crisis. He said that "Big businesses must not be permitted to get away with cosmetic restructuring this time. They will have to strive to change themselves as agreed to earlier" (*Kyunghyang Shinmun* 21/01/1998). The business leaders had no

choice but to accept the government's demands in order to play their part in the national effort to salvage the failing economy.

However, above all it was in the state's strategy of circumventing the defiance of the strong labour unions that the invocation of the national-popular patriotism was most successful. It was certainly the most effective tool to domesticate the militant labour unions. 'Save the nation' outcry exerted a crushing impact on the waning of labour militancy whose intensity constituted another major *form* of the Kim Dae Jung state. Invoking a state of emergency among the Korean population was the strategic orientation of the state which had to defeat the militancy of the labour union to achieve the chaebol reform (accompanying mass unemployment). As the KCTU admitted, it was difficult for the unions to ignore the appealing rhetoric that "our country is in difficulty, we must exert all our strength to save the country first"[4] while the 1997 economic crisis was regarded as the biggest national challenge since the Korean War in the 1950s (KCTU 1999b; Heo 1998; Koh 1999). When the strikes were going on, the conservative press blamed the unions for pursuing selfish economic interests. It was in this sense that Lee Kap Yong, the former chairman of the KCTU, mentioned that the unions should have successfully established the close alliance with the press force representing labour interests.[5] As the entire nation was gearing up for a 'save the country' campaign- highlighted by gold donation to raise much needed hard currency- Korean labour unions (as seen in chapter seven) were forced to participate in the establishment of the tripartite committee which included the issue of "labour market flexibility" in its agenda. They accepted the agreement

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[4] The state's strategy of invoking states of emergency is a powerful weapon to prevent labour establishing a national framework or coordinating body able to promote existing struggles and integrate them into a larger transformative project. Japanese workers' failure is explained in this context (Burkett and Hart-Landsberg 2003).

[5] Interview with Lee Kap Yong.

which contained the introduction of a lay-off provision. A number of planned general strikes were called off. The new law allowing the lay-offs came into force while the unions were debilitated by the sheer impact of the crisis and the "euphoric" national mobilisation engineered by the government to overcome the crisis (KCTU 1999b; 2001b, Lee K. Y. 1998, and Chung 2000).

The state's strategy was a successful orientation to broaden popular support for the chaebol reform, and consolidated the foundation to launch a hegemonic project. The regime managed to minimize the degree of resistance by the people against the chaebol reform policy and circumvent the opposition of chaebol and labour unions. It was indeed a powerful weapon of the state in the chaebol reform because it could minimize the resistance of the people and alleviate class demands. Patriotism was 'the force of popular religion' to mobilize the support of the Korean population and circumvent the opposition of class forces under the banner of 'save the nation'.

Seizing the momentum, Kim Dae Jung launched the hegemonic project, the so-called 'Second Nation Building Movement' in his 15 August 1998 speech marking the 50th anniversary of the Korean republic. President Kim Dae Jung called for a 'second nation building' in order to save the nation from the economic crisis and make far-reaching reforms based on 'democracy and market economy.' Kim Dae Jung stressed that it should not be led by the government alone. He urged all his countrymen to lead the movement by applying wisdom in everyday work places to raise national competitiveness to the world's highest level. He proposed six major tasks for the second nation-building: 1) the establishment of the two-way political communication between the people and the government by achieving a great transformation from authoritarian rule to participatory democracy; 2) the successful implementation of economic structural reform, in corporate, financial, labour and

public sectors; 3) the establishment of a new value system based on universalism and globalism; 4) the reinvention of the economic system to build a knowledge- and information-based economy; 5) the creation of a constructive labor-management relationship conducive to the new age of harmony and cooperation; 6) the promotion of a new relationship of exchanges and cooperation between the South and the North based on a firm national security posture, overcoming the fifty year confrontation on the Korean Peninsula (*Korea Times* 15/08/1998).

8.4 The Structural Determination of the Hegemonic Project

The Kim Dae Jung regime overcame the weak social base of state power to a certain degree by resorting to the patriotism of the Korean population. However, successive developments demonstrated that despite the initial success of attracting people's support, the regime did not succeed in meeting the aims of its hegemonic project, due to an incorrect strategic orientation which ignored its structural determination.

The structural determination of the regime's hegemonic project presented both opportunities and obstacles. On the one hand, the *form* of 'exacerbated dependency' was disadvantageous for a hegemonic project. The IMF conditionalities made the state impose the accumulation strategy that meant attacks on both capital and labour and cut off necessary class support. On the other hand, it presented an opportunity in that the external dependency was the main resource to stir up national popular patriotism, which legitimised the violence of the state when it engaged in a ruthless slaughter against both capital and labour. It also saved the regime which suffered from the *form* of 'fragile state unity'.

In retrospect, another *form* of the Kim Dae Jung state had a decisive influence on the collapse of the regime's hegemonic project: 'Second Nation Building

Movement'. Another important feature of the *form* of the Kim Dae Jung state was 'increased 'people's power' in the axis of 'officialdom-people' relation. A hegemonic project defined as state practice for integration and cohesion of politically and socially divided society cannot be properly studied without sufficient consideration of the determination of the 'officialdom-people' axis because we should not forget that the class aspects of the state are over-determined by various kinds of non-class relations. We should pay attention to a 'people-officialdom' axis as well as the class axis in investigating the chaebol reform and the hegemonic project of the Kim Dae Jung regime. In view of South Korea's past democratisation struggle, the state's nature and effects as a system of domination over the people might be a more distinctive and important variable. The dynamics of Korean society cannot be properly investigated without adopting an analytical axis of state-people relations.

In this context, it was a mistaken strategic orientation for the government to pursue a government-led hegemonic project, reminding Korean people of a repressive authoritarian history. 'People' under the Kim Dae Jung regime were the dominant force of the 'officialdom-people' contradiction. Civic groups (NGOs) under the regime represented people's power, standing in the front line to frustrate the government-led hegemonic project[6] . We should ask why it was that the Korean civic groups opposed the regime's hegemonic project, whereas they did support the Kim Dae Jung government in implementing other reform packages including the chaebol reform. To answer this question it is necessary to assess the 'increased people's

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[6] My intention to see 'people's power' in the axis of the 'officialdom-people' determination presupposes a contrasting relation between the state and NGOs. This approach seems to be faithful to a pluralist version of NGO-state relations which emphasises relational patterns occurring between the government and NGOs. However, Hirsh, a Marxist state theorist, suggests that it is worth trying to answer the following question: are NGOs essentially 'societal' organisations which stand in contrast to the 'state', or are they elements of a political domination and regulation complex which should be viewed in the Gramscian sense as an 'extended state'? (Hirsch 2002: 12; Tropp 1998: 25-40).

power' under the Kim Dae Jung regime and the civic groups' activities for supporting the chaebol reform.

8.5 People's Power, CAGE and PSPD

It appeared that the long-repressed people's power in Korea finally blossomed with the election of the President Kim Dae Jung. After a prolonged period of military dictatorship and a short tenure of Kim Young Sam's civilian government, the sphere of civil society expanded to the degree that the state could not manage to implement any project which the Korean civic groups opposed. Civil society organisations became an integral and indispensable part of local and national governance. Their growth in local and national spheres was seen in their active participation and involvement in governance-related exercises. Under the Kim Dae Jung regime, Korean civil society earned full recognition from the government. The ruling party passed legislation promoting the NGO sector in December 1999, the 'NGO-Supporting Law.' This legislation provided financial support to NGOs for carrying out a variety of activities, volunteering work, human rights enhancement, environment protection, and anti-corruption campaign [7] (Park 2003, Cho 2000; 2002, and Kim 2002).

The involvement of civic groups in the 2000 general election in Korea is a useful indication of the increased people's power under the Kim Dae Jung regime. The appearance and operation of the 'Civil Action for the 2000 General Election' in Korea (CAGE) was symbolic in the sense that Korean civic groups played a dramatic

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[7] However, this financial support needs to be considered in the context of Wahl's (1997) definition which claims that 'non-governmental organisations' are understood as formal private arrangements which operate in the political arena at both the national and international levels, and which possess the following characteristics: a non-profit orientation; a claim to represent or act as advocate on behalf of public or special interests; relative organisational and financial independence vis-à-vis state apparatuses and enterprises; a measure of professionalism and organisational durability. In this context, it is understandable that several leading NGOs, such as the Citizens' Coalition for Economic Justice and the People's Solidarity for Participatory Democracy, did not seek government financial support in order to avoid financial dependency on the government (Hwang 2003: 271).

role on the political scene. In January 2000, about four months before the April election, CAGE was created with the participation of 412 civil organizations including leading civil organizations such as the People's Solidarity for Participatory Democracy (PSPD), Women Link (WL), the Federation of Environmental Movements (FEM). In the first step towards what they called 'the new experiment for political reform', the CAGE released in January the first list of politicians whom it judged as ineligible to run for the National Assembly.[8] Following the release, it held mass rallies in the major cities to arouse public interest. In a more audacious manner, it pressed political parties to withdraw candidates who were on the list and even sued political parties on the grounds that the parties selected some candidates by inappropriate procedures. In March 2000, it declared the 'Will of Voters for Political Reform' which was followed by 'Voters Open Forum for Political Reform' in Myungdong Cathedral and a Bus Tour to major cities throughout the country to collect voter support. On 3 April, it released the second list of politicians who were not targeted in the first list.[9] To encourage young voters to participate in the vote for political reform it held the 'Red Card 2000 Festival'. The operation of the CAGE was finished a day before the election with the 'Performance for Hope' in Myungdong Cathedral in Seoul (PSPD 2001a).

The 13 March 2000 election day turned out to be a Big Bang in Korean politics. A total of 59 candidates out of 86 on the list failed to gain office. On average,

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[8] The CAGE released the list of 67 politicians considered to be unqualified to stand in the coming general election. In a press conference covered by major television companies, it released the list and gave a detailed explanation of how the list was made.

[9] The first list was only aimed at the incumbent members of the parliament. As there were many politicians who had not been screened in the first list, the second list was targeted mainly on politicians who were not screened first time. The public attention was enormous. There were thousands of phone calls from the public demanding such and such politicians to be included on the list.

68.6 percent of the listed candidates lost their races in this election.[10] It was concluded that the involvement of the civic groups in the election was a new beginning for political reform, achieved by the 'people's power' in Korea.[11]

Powerful civic groups were important allies for the government which faced the huge task of implementing chaebol reform. The state's strategy of invoking patriotic public sentiment successfully mobilized popular support for the government chaebol policy. The popular support was expressed as a movement of the civic groups pushing the chaebol reform. Together with governmental measures, the movement initiated by the NGOs had considerable effect on making the chaebol more transparent (Hwang 2003). It later appeared that the battle front was formed between the civic groups and the chaebol, even though they both comprised the realm of civil society in the axis of 'officialdom-people' relations. The chaebol, which had already been pressed by the government, began to face new challengers from civil society.

People's Solidarity for Participatory Democracy (PSPD)[12] was a leading non-governmental organization which pursued the most systematic and organized movement to reform the chaebol. It was also the leading civic group which organized the Civil Actions for 2000 General Election (CAGE). Indeed, the PSPD declared

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[10] Voters in the Kyoungsang and Cholla provinces were not particularly influenced by the list. They supported the candidates parties nominated. However, in the Seoul area, where the voters are free from any regional sentiments, CAGE was highly successful. Nineteen out of the twenty listed candidates failed in the election, which means 95.5 per cent success for the CAGE. In the central region, 18 among the 23 listed politicians failed (PSPD 2001a).

[11] Agaist the general consensus that the growth of NGOs reflects the autonomy of civil society under the Kim Dae Jung government, some voiced opposition. For example, Yeonho Lee argues that pointing to the government's financial support for the NGOs, the growth of NGOs was quantitative, not qualitative and that the NGOs' autonomy vis-à-vis political influences was rather constrained. In this regard, he concludes that 'one can not consider that the pattern of the government – NGO relationship escaped from the statist mode' (Lee 2003: 298).

[12] PSPD was formed in September 1994 to monitor power abuse or corruption and promote solidarity among the oppressed. Its activities were extensive. It worked for Petition of Anti-Corruption Law, Campaign for the Reform of Chaebol, Small shareholders' Campaign and Reform of Social Welfare System etc.

"war" on the top-five chaebol, vowing to fight against their managerial practices. It started the Minority Shareholders' Campaign as the main target of its movement for the enhancement of transparency in corporate governance and tougher legal responsibility for management, which constituted two principles out of the so-called ``*Five Plus Three" principle.*[13]

As the PSPD thought that the big companies were too powerful to comply with the government direction to voluntarily engage in reform of their corporate governance, the target of PSPD's minority shareholder campaign were big chaebols, including Samsung Electronics, SK Telecom and Hyundai Heavy Industries.

First, PSPD's activities were directed towards the enhancement of the corporate decision-making process. The PSPD supported shareholders participation in significant corporate decision-making processes through various legal measures. They could attend shareholders' meetings,[14] make shareholder proposals,[15] solicit proxies,[16] and convene extraordinary shareholders' meetings[17] (Kim and Kim 2001).

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[13] Chapter five deals with the "*Five Plus Three*" principle in detail. The other five had limits of possible success by the activities of the civic groups; the elimination of cross-loan guarantees (mutual payment guarantees) among affiliates, improved financial structures, concentration on core businesses, and restraints on chaebol's control of the financial sector, a ban on cross-unit subsidies, and harsher punishment for chaebol owners' wealth donations to family.

[14] PSPD members attended meetings of Samsung Electronics, Daewoo Corporation, SK Telecom, Hyundai Heavy Industries, LG Semiconductor and Dacom. In some cases the management of companies attempted to disrupt the attendance or questioning of shareholders. In response to this move, PSPD brought legal actions on two different occasions to nullify the resolutions passed at meetings where such disruptions occurred (PSPD 2001b).

[15] Another important measure of shareholders was the utilization of shareholder proposals. For instance, PSPD first made shareholder proposals at the GSMs of Samsung Electronics and SK Telecom. In March 1998 and March 1999, PSPD proposed that the AOI of Samsung Electronics be amended to protect the interests of minority shareholders. Also in March 1998, PSPD made similar proposals to SK Telecom to amend its AOI and also proposed the election of two outside directors. At the time, the proposals made to Samsung Electronics failed to obtain majority approval, whereas in contrast SK Telecom's management, without even going to a proxy contest, accepted many of PSPD's proposals (PSPD 2000).

[16] Proxy solicitations are an important legal measure for shareholders to seek support from other shareholders.

Second, their activities were aimed at 'Preventive Measures and Monitoring the Behavior of Management.' After attending the corporate decision-making process, various legal measures were available for shareholders to monitor the actions of management. Preventive measures such as monitoring were important especially to deter illegal or improper management decisions. One of the major actions taken by the PSPD was to demand the end of illegal activities of the management[18] or to require relevant materials related to business decisions, in order to deter management from proceeding on problematic decisions. Shareholders were also able to inspect the records of the corporation, and demand that certain management actions end or seek injunctions to prevent illegal activities.[19]

Third, the activities were directed at holding management accountable for their conduct with such measures as Shareholder Derivative Actions,[20] Criminal or Administrative Complaints[21] and Demanding the Dismissal of Responsible Officers.

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[17] In close correlation with soliciting proxies and shareholder proposals, shareholders could also convene Extraordinary Shareholders Meetings (ESM). For example, in the case of SK Telecom, an outside auditor demanded the convening of an ESM under Article 412-3 of the Commercial Code with the support of PSPD.

[18] Several cases exist where the management accepted the demands of PSPD. In 1999, for instance, Hyundai Heavy Industries partly agreed to demands made by PSPD by withdrawing their plan to support Hyundai Motors for their acquisition of Kia Motors and Asia Motors. Similarly, Samsung Electronics' decision not to further expand its automobile business was made partly due to objections raised by PSPD (PSPD 2000; 2001b).

[19] Very often shareholders' demands developed into more formal legal proceedings. On 24 March 1997, PSPD filed injunctions to prevent management decisions from being implemented after Samsung Electronics had a private placement of convertible bonds ("CB") worth 60 billion won of which Samsung Group Chairman Lee Keon Hee's son, Lee Jae Yong, purchased 45 billion won and the Samsung Corporation purchased 15 billion won. PSPD filed a legal action on 24 June 1997 against Lee Jae Yong and Samsung Corporation to nullify Samsung Electronics' issue of convertible bonds, and filed a request for a temporary injunction against their conversion, sale or other disposition. On 30 September, the court approved the request for a temporary injunction against Samsung Electronics. However, the day before the court's ruling, Samsung Corporation made a sudden move to convert the CB's to shares. In response, on October 7, PSPD requested a temporary injunction against the disposition or listing of Lee Jae Yong and Samsung Corporations' newly converted shares. On 17 December 1997, the Suwon District Court ruled in favor of PSPD's claim with regard to the temporary injunction against the disposition or listing of Lee Jae Yong's shares (PSPD 2000; 2001b).

[20] The earliest example of a shareholder derivative suit occurred on June 3, 1997, when PSPD initiated an action against former officers of Korea First Bank (KFB). PSPD brought the claim on behalf of 61 minority shareholders. The plaintiffs claimed 40 billion won in compensation against the former

A series of tenacious and systematic interventions by the NGOs shaped the battle front with the chaebol. The chaebol fiercely reacted, declaring war on anti-chaebol civic activists. The FKI attacked the civic activists' movement and the CFE (an affiliate of the FKI) requested that the PSPD end its attempts to interfere in the internal management of key chaebol firms[22] (*Korea Times* 03/03/2001). In an intensified movement, the FKI, in alliance with other capitalist organizations like the KCCI and three other major organizations, demanded minority shareholders to refrain from taking group action initiated by the civic groups. The five capitalist organizations claimed that the activities of the PSPD gave a wrong image of the Korean chaebol by exaggerating or distorting the business performance of the chaebol. However, the PSPD countered the chaebol by questioning the motives of the pro-chaebol groups: The PSPD stressed that the chaebol, widely blamed for the outbreak

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president and directors of KFB. It was alleged that they received bribes in return for providing credit to the failed Hanbo conglomerate, causing critical losses to the bank. These allegations were substantiated through the criminal investigation that the former president and directors not only received bribes but they instructed staff employees to neglect internal regulations to extend huge loans to Hanbo even right before it went bankrupt. On July 24, 1998, the Seoul District Court ruled in favour of these minority shareholders and issued a historic 40 billion won award against these directors (PSPD 2000; 2001b).

[21] Shareholders also resorted to criminal or administrative investigations to seek the accountability of management. An example occurred on June 11, 1998 when PSPD filed a criminal complaint with the Prosecutors' Office charging Samsung Electronics, Samsung Display Devices, Samsung Electro-Mechanics, Samsung Motors and the board members of each company for violating laws regulating the introduction of foreign capital, foreign currency management laws, and securities transactions laws. PSPD sometimes brought administrative complaints against professionals such as accountants or lawyers who aided the illegal or improper activities of the management. In connection with Hyundai Electronics' illegal manipulation of the stock prices, for instance, the Judiciary Monitoring Center of PSPD filed a complaint that lawyers representing Hyundai Electronics aided the officers of Hyundai companies in concealing their criminal behaviour (PSPD 2000; 2001b).

[22] Min Byung Kyun, president of the CFE, argued that the PSPD-initiated movements for minor shareholder rights were radical and premature in consideration of Korea's business circumstances, revealing the concern that excessive intervention from civic activists and other non-governmental organizations could have an adverse effect and even threaten the survival of big business in financial trouble. Also, Kim Jong Ho, vice president of the CFE, said that the PSPD's minor shareholder activism would undermine the market economy and the interests of the entire shareholders (*Korea Herald* 03/03/2001).

of the 1997-1998 economic crisis, should consider their anachronistic managerial practices and try to break with the mistakes of the past (*Hankyoreh* 08/03/2001).[23]

It was the NGOs that prompted the government when it began to show signs of retreat from the chaebol reform in the second half of the regime. The PSPD strongly denounced the government's move to relax the bank ownership limits. With regard to the government's attempt to allow chaebols to own up to 10 percent in domestic banks, the PSPD and eight other civic activist groups issued a joint statement, urging the government to stop freeing local conglomerates from regulations on business expansion and entry into the banking industry.

8.6 The Incorrect Strategic Orientation of the Hegemonic Project

8.6.1 The Government-led Hegemonic Project

The honeymoon period ended as the orientation of the hegemonic project began to alienate the people's support. *The Kim Dae Jung regime committed the strategic error of threatening the autonomy of civil society.* The stirring up of national-popular patriotism had been a great source of diluting the contrasting division in the 'officialdom-people' relation. When the government's chaebol reform was implemented, national popular patriotism was an effective machine to take the people's power on the side of the state in so far as the state program did not develop into a threat to civil society. The chaebol were seen as the common target of state intervention as well as the NGOs' movement. However, as soon as the state activities began to be seen as an infiltration of state power into the realm of civil society, it came to highlight the inherent contradiction of the 'officialdom-people' relation. Consequently, civic groups withdrew their support for the state policy. In this context,

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[23] When tension was at its peak, civic group activists were vigilant on the possible physical attack from the chaebol force. Interview with Kim Sang Jo, the President of Centre for Economy_Reform, People's Solidarity for Participatory Democracy (PSPD) on 22 September, 2003 at the Hansung University in Seoul.

we can understand why the government-led hegemonic project faced strong opposition from the civic groups. The 'Second Nation Building Movement' was organised and led mainly by the government. State managers should have realised that a government-led movement (threatening the autonomy of the civil society) would cause negative repercussion.

The government stressed that the 'Second Nation Building Movement' must be a civil society movement led by the Korean people. Nevertheless, the 'Second Nation Building Movement' was reminiscent of the *Saemaul* (New Community) Movement which was the model of the successful hegemonic project under Park Jung Hee's dictatorship (1961-1979). The Saemaul Movement had been launched by the late President Park Jung Hee as a rural modernization campaign. Since the early 1970s, the semi-official Saemaul Council coordinated the nationwide civil campaign to improve the standard of living. The Saemaul movement later became a tool of the authoritarian government, engaging in electioneering and various other pro-government activities.

As a concrete step towards the nation-building movement the government established 'The Second Nation Building Committee' (SNBC) as a presidential advisory panel consisting of government officials and private citizens in September 1998. The President then presented letters of appointment to the Commission members and advisors at the Presidential Office and appealed to leaders of the reform movement to help the nation ride out the economic difficulties and restructure each and every sector of Korean society. The Commission was to be led by Byun Hyung Yoon, former economics professor of Seoul National University, as head of a seventeen member Presidential Commission on Second Nation Building. Given

assurance that the movement was to be led by 'the people', some civic leaders joined the Commission.[24]

Following the completion of the organization of the central commission composed of approximately 400 members, a vast campaign network took shape at local level. More than 240 local committees were organized across the nation by the end of the year, aided by more than 20,000 members across the country. The SNBM's nationwide networking came to boast a huge mobilization in each county, district, city, province and metropolitan area.

A lot of civic groups' leaders became members of the SNBC because they were sympathetic to the government's commitment to help the country overcome the economic crisis and reform each and every sector of Korean society in preparation for the 21st century. However, it was soon suspected that the movement would be a government-led project, as civil servants were recruited as members of the central and local committees. Moreover, the suspicion of political motivation behind the nation-wide movement became more controversial when it was revealed that one of the campaign 'task force' teams in the central SNBC studied the possible reform of some major government organizations. It turned out that the team discussed the reorganization of such powerful government agencies as the Board of Audit and Inspection, the Justice Ministry and the Fair Trade Commission, and an overall improvement in the administration's public service businesses (*Kukmin Ilbo* 05/12/1998). In response to this revelation, critics began to argue that the SNBC was a

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[24] They included civic leaders such as Suh Young Hoon, former president of KBS television and the president of the Movement Coalition to Revive Common Goods for New Community. Also sitting on the 'Pan-National Promotion Commission for Second Nation Building' was Kim Sang Ha, president of the Korea Chamber of Commerce and Industry; Kim Min Ha, president of the Korean Federation of Teachers' Associations; consumer advocacy leader Chung Kwang Mo; Conductor Chung Myung Whun; and Cho Wan Kyoo, president of the Korea Academy of Science and Technology. President Kim also appointed five advisors to the Commission. They were former Prime Minister Kang Young Hoon; the Rev. Kang Won Yong, (a Presbyterian leader); Cardinal Stephen Kim Sou Hwan; the Rev. Song Wol Ju, (a Buddhist leader); and Cho Young Shik, founder of Kyunghee University (*Korea Times* and *Hankyoreh* 30/09/1998).

government-initiated nationwide campaign and it would develop into another branch of the government. The opposition party and civic groups thus became suspicious of the political motivation behind the Second Nation Building Movement. The movement raised deep fears of renewed government dominance over civil society, i.e., authoritarianism.

From the beginning of the movement the opposition party made it clear that any nation-wide programme should be opposed if there appeared any political motivation behind the programme. The strategy of the GNP was the highlighting of the political intent of the ruling regime behind the nationwide movement. In response to President Kim's direction to make Saemaul (New Community) Movement Central Council, which had the largest nationwide network with a membership of 3 million, a backbone of the civilian support for the Second Nation Building, the GNP alleged that the government was intent on organising grass roots political support for the purpose of renewing its grip on state power. The GNP denounced the second-building of the nation as a 'national mobilization scheme', raising concern that the people's campaign could turn into a Korean version of the Red Guards of Chinese Maoism. It claimed that the ruling camp tried to expand its power base under cover of a civic campaign (*Chosun Ilbo* 19/08/1998). Although the government explained that the participation of civic groups was essential because broadly-based popular support was important for the reforms to achieve their goals, the majority opposition GNP criticized what it called a 'populist approach' in the government's reform drive. It warned against violation of the principles of parliamentary (representative) democracy, arguing that the national movement for the 'Second Nation-Building' could be a cover for increasing political support (*Donga Ilbo* 18/08/1998). Suspicious of political intent behind the movement, the GNP demanded an immediate halt to the campaign. The

GNP claimed that the 'Second Nation Building Movement' was a disguised move to form a new broadly-based party under a scheme to prolong the government's grip on power (*Chosun Ilbo* 05/12/1998).

As the campaign faced resistance, President Kim Dae Jung wanted to put an end to government involvement in the dispute by appointing a protestant pastor, Kim Sang Keun, as the top policy planning officer of the Commission in March 1999. The post was previously held by the minister of the Ministry of Government Administration and Home Affairs (MOGAHA).

However, the alleged intervention of government officials into the activities of the SNBC reignited controversy on the movement's ultimate aim. Questions were also asked about how it could maintain its political neutrality when it was revealed that some officials at MOGAHA asked local autonomous governments to support the chapters of the local SNBC within their respective regions and sent its 'guidelines to activate the reform campaign' to local administrations. It was found that the ministry directed the local administrations to dispatch 'excellent' officials to the SNBC's local offices as support personnel.

MOGAHA's guidelines immediately invited criticism from the civic groups and the opposition Grand National Party (GNP) that the government again tried to control the reform campaign. The Citizens' Coalition for Economic Justice (CCEJ), an independent civic group, said in a statement that the instructions should be withdrawn because they undermined the civic movement. The opposition GNP urged the government to cut its connections with the SNBC, claiming that the guidelines proved that the ministry was trying to turn the Commission into a government-led group to use it for campaigns in favor of the ruling coalition parties in the April 2000 general election (*Chosun Ilbo* 22/05/1999).

As the controversy over the government's role in the SNBC flared up the SNBC finally lost its momentum to galvanize the 'Second Nation Building Movement' to develop into popular nationwide project. The nationwide network could not operate properly at central and local levels and the SNBC began to disintegrate. It was finally dismantled when the new government of Roh Moo Hyun succeeded the Kim Dae Jung regime in 2003.

The civic groups withdrew their support as they suspected infiltration of state power into civil society. It should be investigated theoretically why the civic groups that supported the government reform policies on the chaebol and media companies decided to withdraw their support for this project. The following section is devoted to this theoretical investigation.

8.6.2 The Chaebol Reform, the Second Nation Building Movement, and the Axes of Determination

A theoretical understanding of the civic groups' opposition to the government-led hegemonic project can be facilitated by looking at how the state was able to mobilize the civic groups' support for the government-led accumulation strategy, i.e., the chaebol reform policies. The contradiction of the civic groups' attitude between their opposition to the hegemonic project and their support for the government's chaebol reform can be explained by relying on the analytical apparatuses reviewed above; the axes of class and 'officialdom-people' relations and the national-popular project.

It should be noted that although the chaebol and the civic groups constitute the realm of civil society in the 'officialdom-people' relations, they constituted different political categories in their relations to the state during the chaebol reform process.[25]

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[25] The understanding of the *political category* can be facilitated by Jessop's class struggle and popular democratic struggle analogy. He argues that as there is relative indeterminacy of class formation from class location in struggles to establish class hegemony, there is a non-correspondence between location

Their existence as the different political categories was due to state intervention of the government during its chaebol reform policy. It was the chaebol and not the civic groups that state intervention was aimed at during the chaebol reform implementation. The chaebol comprised those subject to state intervention and the state was the agent of intervention, but the civic groups were not subject to state intervention. Accordingly, in the eyes of the civic groups, *the Kim Dae Jung regime came to be seen as the state of public power existing in class-divided society, rather than as the concentration of the public power,* which is fundamentally contradictory to a civil society in an 'officialdom-people' dimension.

The fact that they were located in different political categories implied two possibilities: either that they are united to form the same position in their opposition to the government-led chaebol reform, or that the state tries to prevent the formation of the position, dividing the categories (the chaebol and the civic groups) into separate and opposing categories by mobilizing one force against that of another. The latter was the case with the chaebol reform process. The state's strategy of invoking the national-popular patriotism was an important political device to mobilize civic groups support behind the chaebol reform. Although even the best national-popular project could not include all the political categories under the leadership of the state, the Kim Dae Jung regime successfully mobilized the support of the members of the non-chaebol political categories by asserting a general national interest in the pursuit of the chaebol reform. The state established an alliance with the civic groups in pursuing

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in the 'officiadom-people' relation and positions adopted in popular democratic struggles. The existence of the positions in popular democratic struggles is rooted in the appearance of the political categories. According to him, "the state itself often plays an important role in the constitution of these categories because state interventions interpellate and organize the 'people' into separate and mutually opposed categories according to the nature and purpose of these interventions. Indeed bourgeois law and rational-legal domination involve the constitution of subjects by their very nature. This results in a myriad political categories – such as citizens, electors, taxpayers, welfare claimants, conscripts, convicts, aliens, and so on" (Jessop 1980: 65).

common interests distinct from (or opposed to) the interests of the chaebol. The chaebol were the common target of the civic groups' movement as well as state intervention.

In so far as the chaebol reform is concerned, the contradiction between the government and the civic groups in the axis of 'officialdom-people' relation was replaced by the alliance that resulted in sharing the chaebol as the common target. Therefore, although the government exerted an authoritarian type of intervention in its chaebol reform, the civic groups saw it as a necessary execution of the public power to stabilize the national economy in the crisis. It can be said that as the Kim Dae Jung regime was seen as the site of public power in class dimension, the authoritarian form of state intervention manifested in the cases of Big Deals and the slaughter of Korean labour did not provoke popular-democratic opposition against the Kim Dae Jung regime. For the civic groups, the Kim Dae Jung regime was the form of public power of a class-divided society pursuing the accumulation strategy.

Why did the civic groups then oppose the hegemonic project yet support the government-led chaebol reform policy?

The 'Second Nation Building Movement' provided the momentum for a rupture in the alliance between the government and the civic groups. This was because the mistaken strategic orientation highlighted the very aspect of the fundamental opposition existing in the 'officialdom-people' relation. The suspicious government-led movement led to the collapse of the government-civic groups' alliance which had been formed by the national-popular project in the chaebol reform implementation. Instead, it consolidated the civic groups' opposition to the Kim Dae Jung regime.

This opened the possibility of a 'people' formation[26] in popular democratic struggle against the Kim Dae Jung regime. This explains the grounds of 'people' formation of the civic groups in their struggle to oppose the Second Nation Building Movement. The government-led movement meant the infiltration of state power into civil society. It had the civic groups as its target of state intervention, and the civic groups became the object of the state intervention. Therefore, whereas the state was the site of the public power in class dimension during the chaebol reform, the hegemonic project came to highlight the state as the public power in the 'officialdom-people' dimension. The close alliance had to crumble as the civic groups considered the government-led hegemonic project to be the infiltration of state power into the realm of the civil society

The former 'common sense' of the Korean nation, which was 'an uncritical and unconscious way' in which Korean citizens perceived the dominance of state power as natural and unquestionable, was shattered when the successful uprising of people's power toppled the authoritarian regime. 'People' under the Kim Dae Jung regime were already the 'principal aspect' (or dominant force) of the 'officialdom-people' contradiction. Popular democratic forces had grown sufficiently to be able to effectively control the operation of 'officialdom' through mechanisms of representation and accountability. The 'people' were constituted as an autonomous, highly unified political force; as seen in the case of the CAGE in 2000. In terms of a

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[26] Jessop draws a comparison between the process of 'people' formation and that of 'class' formation. He says that class determination (i.e., location in the relations of production) entails little about class position (i.e., stance adopted in class struggle). Jessop then argues that as the non-correspondence between class determination and class position suggests that *class struggle is first of all a struggle about the formation of class forces before it is a struggle between class forces, so the non-correspondence between people location and people position in the 'officialdom-people' relation means that popular-democratic struggle is first of all a struggle to form the 'people' before it is a struggle between the 'people' and 'officialdom'* (Jessop, 1980: 63). Therefore, political forces situated outside the state attempt to interpellate and organize these and other categories into popular forces in contradiction and/or fundamental opposition to yet other civilian and/or official categories (Jessop 1980: 65).

popular democratic dimension, the 'war of position' was already consolidated by the Korean civic groups under the Kim Dae Jung regime, and therefore *the robust structure of civil society was not to be easily shaken by any state attempt to intervene into the realm of civil society.*

For this reason, the mistaken strategic orientation of the hegemonic project (i.e., the government-led 'Second Nation Building Movement') alerted Korean civil society against the old system of political domination of the previous authoritarian regimes. It is not surprising that the government-led movement faced a 'popular front' opposition from the Korean civic groups.

Conclusion

This chapter applied the case of Korea to the proposition that the realization of a hegemonic project ultimately depends on three key factors: its relation to accumulation, its structural determination, and its strategic orientation (Jessop 1990: 209), and investigated the 'Second Nation Building Movement' in the context of the *form* of the Kim Dae Jung state defined as an ensemble of exacerbated dependency; increased labour power; fragile state unity; and increased people's power.

I analysed that a success of the hegemonic project of the Kim Dae Jung regime was encumbered with the effects of the regime's accumulation strategy (the chaebol reform). The accumulation strategy was a detrimental factor to a successful hegemonic project because it undermined the class bases of state power. The chaebol reform policy was a double-edged sword, aimed at both capital and labour, which deprived the state of necessary class support.

Although the state successfully replaced the loss of class support with the national–popular support by invoking a state of emergency, the state pursued an incorrect strategic orientation which ran counter to its structural determination. In

other words, the Kim Dae Jung regime launched the government-led 'Second Nation Building Movement', which 'challenged' the *form* of 'increased people's power'. As the mistaken strategic orientation came to highlight the very aspect of the fundamental opposition existing in the 'officialdom-people' relation, the civic groups in Korea opposed the government-led 'Second Nation Building Movement'. The government-led movement meant the infiltration of state power into civil society and it reminded people of the age of dictatorship. The fact that 'increased people's power' was one of the main components of the *form* of the Kim Dae Jung state meant that the former 'common sense' in the authoritarian age was shattered long before, and that 'people' under the Kim Dae Jung regime were already the 'principal aspect' (or dominant force) of the 'officialdom-people' contradiction. This indicates that as long as 'people's power continues to constitute the form of the state, any state-led political ambition violating the principle of 'democracy' will be challenged in the future Korea.

CONCLUSION

The purpose of this study was to demonstrate that the capitalist state is located within a complex dialectic of structures and strategies by investigating the concrete case of the Kim Dae Jung regime (1998-2003) in South Korea implementing a corporate restructuring policy. In addition, this study attempted to critically review some important issues in the field of the capitalist state theory.

I anticipated that a successful investigation of the Korean case would answer two central questions; 1) What were the successful and/or detrimental structural conditions to the Kim Dae Jung regime's chaebol reform policy? 2) How the state and social classes deployed their strategies to use and/or overcome those conditions?. While answering these main questions, this study tackled the following problems; the collapse of Kim Dae Jung's leadership; the contradiction between neo-liberal principle and the authoritarian type of state intervention; the retreat of chaebol reform in the second half of the regime; the frustration of Korean labour; and the failure of the regime's project to achieve the unity of the nation.

On the first question, I investigated those conditions in terms of the *form* of the Kim Dae Jung state, i.e., the ensemble of the regime's 'exacerbated dependency', 'increased labour power', and 'fragile state unity'. The *form* of the state turned out to be a pre-given structural conditions which regulated the development of the chaebol reform policy of the regime.

As far as the chaebol reform is concerned, the *form* of 'exacerbated dependency' was an advantageous structural condition for the politically vulnerable government. It was the main source of power in state intervention with the chaebol in the first half the regime. As seen in chapter five, the IMF requested that the Kim Dae Jung regime should take more decisive steps to speed up the process of corporate

restructuring and to deal with the problem of corporate over-indebtedness by putting in place a framework for corporate debt workouts. Fortified by the strong line taken by the IMF, the Kim Dae Jung regime pursued a compulsory policy, announcing that its Financial Supervisory Commission (FSC) would select the candidate chaebols for corporate restructuring; draft a Corporate Restructuring Agreement to provide a framework for creditor/debtor negotiations; and create a Corporate Coordination Committee (CRCC). The intervention of the state in the chaebol reform became systematic and strategic. The result of the direct state intervention was that barely half of the top sixty chaebols were left standing, and sixteen of the top thirty chaebols disappeared, fourteen of them – including such giants as Daewoo, Kia, Jinro and Hatai – succumbing to court-receiverships, workout plans, or liquidation. In April 2003, the average debt ratio of the 49 largest chaebols stood at 116.35%, compared with 518.9% in 1997. Although the IMF claimed to promote the virtues of a market economy discouraging state intervention, it demonstrated in Korea that it could insist on its right to direct the client to wield an aggressive intervention into the market.

However, the *form* of 'fragile state unity' was a detrimental structural constraint. In chapter six, I showed that the feeble state unity became seriously deteriorated, since the IMF's departure led to the dominance of the opposition GNP on the political scene. The political weakness of the Kim Dae Jung regime was a binding structure which constrained the autonomy of the state. To make the matter worse, the state project to overcome the political weakness, as seen in chapter four, resulted in failure. The regime failed to overcome the defiance of the opposition GNP and also faced the termination of the cohabitation with the ULD. It is here that we can trace the origins of the collapse of Kim Dae Jung's leadership and the retreat of chaebol reform in the second half of the regime. After the ULD broke the partnership

and Kim Dae Jung left his party, the government accepted the opposition party as the partner for state management. In chapter six, I showed that the government had to accept the GNP as its closest partner in designing chaebol policies. The authoritarian form of state intervention in the first half of the regime became completely replaced by powerless subjection to the opposition forces. The GNP as a new partner replaced the role of the old partner, the IMF.

As a result of the political weakness of the regime, bills were passed in the National Assembly on 21 December 2001. It was a solid confirmation of the retreat of the chaebol reform policy. The new law lifted the regulatory designation of the nation's top thirty conglomerates and softened their investment restrictions. Successive setbacks of the chaebol reform followed; the lifting of the regulation banning chaebol's secondary financial firms from exerting voting rights over affiliates. Also, some important measures for chaebol reform stalled and anti-chaebol political forces had to take notice of a series of defeats in their chaebol reform drive; the introduction of the securities-related 'class action suit system', which was considered to be an imperative policy objective to enhance the transparency of the corporate governance system, was frustrated. On the contrary, a pro-chaebol bill passed in the parliament in April 2002. A new law permitted the nation's fifty largest industrial conglomerates to possess up to a 10 percent of stake in banks, lifting a long-held regulation limiting them to a 4 percent of stake in banks. Indeed, the new policy trend toward deregulation measures for the chaebol became an accepted policy line when the newly named Deputy Prime Minister pledged in April 2002 to actively push for regulatory reform for the sake of a favourable business environment.

The investigation of the Korean case demonstrated the relevance of the 'state derivation' argument which holds that 'state form problematises the function of the

state'. The *form* of the Kim Dae Jung state was a binding structure within which state actions were limited. This study demonstrated the relevance of the (abstract) 'state derivation' approach by attempting to apply a three fold specification of the *form* of the Kim Dae Jung state. Although the German 'state derivation' approach contributed to the theorisation of the capitalist state by the enrichment of the proposition that 'state form problematises state function', the relevance of the approach has not been empirically demonstrated at the level of the concrete application of the theory. It has been effective in the investigation of the capitalist state in general; as differentiated from the pre-capitalist state. However, this study, which applied a three fold specification of the *form* of the Korean capitalist state, demonstrated the usefulness of the approach at the concrete level of state interpretation.

The other important point this study highlighted is the relevance of Poulantzas' argument that the proper investigation of the capitalist state must take into account the specific political situation surrounding the capitalist state at the level of the political regime. As in Poulantzas' investigation of fascism in which he emphasised the analysis of a specific situation of political class struggle, this study demonstrated that the investigation of the Kim Dae Jung state cannot be properly achieved without analysing the specific political conditions at the level of political regime. It was on the level of specific conjunctural political struggle that Poulantzas attempted to find the cause of fascism in Germany and Italy. It is also on the same level of analysis that this study found the causes of the collapse of Kim Dae Jung's leadership and the apparent retreat of chaebol reform in the second half of the regime. It is difficult to say which factor constituting the *form* of the Kim Dae Jung state was the most influential in confining the course of chaebol reform policy. However, it is obvious that without consideration of 'fragile state unity' of the Kim Dae Jung regime,

this study could not have explained a lot of important aspects revealed during chaebol reform implementation.

On the second question of how the state and social classes deployed their strategies to use and/or overcome those conditions, I stressed that we need to pay attention to Jessop's argument that the state is a social relation which can be analysed as the site, the generator and the product of strategies. Although the *form* of the Kim Dae Jung state was a pre-given structural condition constraining state actions during chaebol reform implementation, the state was indeed the site, the generator and the product of strategies.

In this context, we could understand that the Kim Dae Jung regime's active endorsement of the neo-liberal doctrine by the IMF and the World Bank, as seen in chapter five, was state strategy to use external power to tame intractable domestic capital. This collaboration between the local state and the international organisation explained the structural and strategic origin of the controversial form of state intervention of the Kim Dae Jung regime in its chaebol reform implementation. Thus, we could understand the contradiction between Kim Dae Jung's enunciation of the two neo-liberal principles (liberal democracy and market economy) and the authoritarian type of state intervention in the chaebol reform.

The invocation of national-popular patriotism and a state of crisis was also a state strategy to gain necessary social support. As we saw in chapter eight, the purpose of this state strategy was to compensate for the loss of class support by mobilising the general support of the Korean population. When the 'Save Korea Campaign' started, housewives, students and, in fact, all citizens of the country participated in a pan-national drive to save the country. The stirring up of the national-popular patriotism tamed intractable chaebol and labour unions. The chaebol

were forced to engage in corporate restructuring amid the economic crisis. However, the strategy was most effective in domesticating the militancy of Korean labour. In chapter eight, we saw the KCTU admitting that it was difficult for the unions to ignore the appealing rhetoric of 'let's save this nation!'.

Another important theme of Jessop's approach is that the state is the system whose structure is strategically more open to some social forces than others. Although the regime seemed to be invincible in the first half of its ruling, the *changing form* of the Kim Dae Jung state provided the chaebol with a great opportunity to defy state intervention. *The change of the form* of the state directly led to that of 'structural selectivity' and consequent 'strategic selectivity' of the state. The *form* of the Kim Dae Jung state in the first half was the system whose structure was closed to the interests of the chaebol. But the *changing form* of the state (the departure of the IMF and the increased political vulnerability of the regime) meant an appearance of a favourable structural selectivity for the chaebol. The chaebol then realised that strategic selectivity lay in a close alliance with the opposition GNP (the largest parliamentary force in the National Assembly). In chapter six, we noticed that the chaebol came back into the political power bloc to retrieve their business interests.

However, for Korean labour, the *form* of the Kim Dae Jung state was a binding structural constraint which inhibited the realisation of labour's interests. The *form* of 'increased labour power' became sandwiched between the other structural determinants, i.e., 'exacerbated dependency' and 'fragile state unity'. It was the structural origin of the frustration of Korean labour. The labour unions found themselves between two fires. In chapter seven, I showed that in the first half of the regime, the collaboration of the state with the international organisation meant a ruthless neo-liberal slaughter of Korean labour. The unions suffered from the

unexpected state repression and endured a period of mass unemployment. The jobless rate escalated rapidly. It reached a thirty-year high of 7.6 per cent (or 1.65 million people) by the end of July 1998. By February 1999, the unemployment rate recorded 8.6%, leaving 1.78 million people jobless. The union leader went on a desperate form of struggle: the hunger strike. In the winter of 1998, Lee Kap Yong, the head of the KCTU, went on hunger strike to protest against the mass unemployment. The second half was again a period of frustration. *The change of the form* of the Kim Dae Jung state did not mean any promising structural condition, which was the case for the chaebol. The IMF's departure led to the political weakness of the regime and the consequent upheaval of the GNP power. The chaebol established an alliance with the GNP, which frustrated Korean labour's long-cherished objective: the five-day workweek system. Korean labour failed to preserve the initial structural advantage expressed as the establishment of the neo-corporatist system (Korean Tripartite Committee).

The failure of the regime's hegemonic project was understood in the context of the argument that the form of the state privileges some strategies over others. I showed in chapter eight that 'increased people's power' constituted the *form* of the Kim Dae Jung state, and argued that the hegemonic project could not be successful because the regime adopted a wrong strategic orientation which 'challenged' the *form* of 'increased people's power'. 'People' under the Kim Dae Jung regime were a dominant force in the 'officialdom-people' relations. The 'people' were constituted as an autonomous, unified political force, as seen in the case of the CAGE in 2000. Therefore, it was a mistaken strategic orientation for the government to launch a government–led hegemonic project which reminded Korean people of their past repressive authoritarian history. People's support for the government was called off as

the Korean civic groups suspected that the Second Nation Building Movement would bureaucratize their activities. The movement lost its momentum and it completely disintegrated

The investigation of the Kim Dae Jung state in South Korea demonstrated that the capitalist state is located within a complex dialectic of structures and strategies. This work is an empirical case study on a highly theoretical issue in the field of state theory. The issue of the form of the capitalist state has been conducted mostly on a theoretical level and the study of the capitalist state has been regarded as a hyper-abstract field of social science. Maybe for this reason, I have found it hard to encounter an extensive and concrete case study investigating the capitalist state at a determinate conjuncture, particularly a study in context of state form's relation with state strategy. I consider that this study is timely and relevant in that it investigates the capitalist state at a determinate conjuncture, situated in a contradictory dilemma between domestic corporatism and international neo-liberalism, within a conceptual framework of structure and strategy.

The focus of this study was not confined within the empirical realm. As well as investigating the case of Korea, this study has tackled some important theoretical issues in state theory.

I have already mentioned that this thesis tested the practical relevance of the 'state derivation' approach and concretely manifested the importance of Poulantzas' emphasis on the necessity of the investigation of the capitalist state as the political regime located at a determinate conjuncture. As for the state's relation with the economy in capitalism, the chapter five of this thesis criticised the two neo-liberal intellectual tendencies (the acceptance of a dichotomous relation between the state and the economy; and the confirmation of the absence of state intervention in

neoliberalism) in order to theoretically clarify the recent polemical confusion arising in the study of state roles in relation to neo-liberalism. I argued that the misty confusion can be dispersed by adopting the proposition that *the separation is nothing other than the capitalist form of the presence of the political in the constitution and reproduction of the relations of production* (Poulantzas 1978:19). On this basis, I emphasised that state intervention inevitably occurs *whether in neo-liberal guise, or in Keynesian guise.* I maintained that by breaking with these neoliberal intellectual tendencies, we can correctly understand state intervention of the neoliberal Thatcher regime in the UK and the Kim Dae Jung regime in South Korea. Further, I proposed that instead of uncritically accepting the deluge of the so-called 'market forces of neo-liberalism' we should be aware of the presence of the state in neoliberalism and sincerely investigate what are the underlying driving forces shaping cyclical fluctuation of the state's class function (class nature) in capitalism.

The class nature of the capitalist state was one of the theoretical issues of this study. I have demonstrated that the capitalist state is *not* 'a committee for managing the common affairs of the whole bourgeoisie.' This approach was based on my determination (in chapter one) that this study does not adopt either of the two contrasting perspective (Marxist/non-Marxist approach). I believe that while Marxist state theory is mainly concerned with the analysis of relations of production, the capitalist state is located on the terrain of the social formation comprising more than economic relations. Without this open approach, it would have been difficult to investigate (in chapter eight) the background of the abortion of the hegemonic project of the Kim Dae Jung regime, since the hegemonic project could not be properly analysed without adopting an analytical axis of state-people relations which the Marxist approach often neglects.

My own effort to disregard the so-called essentially capitalist class nature of the state was made by revisiting the 'Miliband-Poulantzas debate'. I argued that Poulantzas fell into the trap of class reductionism. I found that although Poulantzas stressed the structural bourgeois nature of the state by highlighting an 'objective relation' between the state and the ruling class, there also exists a 'subjective relation' in the relation between the state and the ruling class. I then argued that the structural existence of 'subjective relation' must be understood as the ontological source of 'strategy of the state' and that state power could be capitalist and non-capitalist according to a strategy of the state at a determinate conjuncture. In this light, I argued that the dual aspects of the Kim Dae Jung regime in its relationship with the Korean labour unions can be comprehensively explained if we actively embrace the concept of the capitalist state as 'the site and subject of strategy'.

I then analysed that state power in the first half of the Kim Dae Jung regime was anti-capitalist to the extent that it stunted the conditions for capital accumulation during its chaebol reform process. At the same time, it was anti-labour to the extent that it repressed labour and created unemployment during its financial and industrial restructuring drive. State power in the second half was pro-labour to the extent that it created, maintained, or restored the conditions for social cohesion by trying to introduce a five-day workweek system. I argued that the class nature of the Kim Dae Jung regime depended on the regime's strategic necessity at a specific conjuncture. I concluded that the regime's class nature can be best explained by conceptualising the state as the generator of 'strategy', not by either Milibandian or Poulantzasian interpretation.

This study is Jessopian in that the whole structure and conceptual framework of this study came from Jessop's methodological suggestion and strategy-theoretical

approach. However, I attempted to go beyond his mantle of influence by pointing out that in Jessop's theory the very source of his concept 'strategy of the state' is at most his reversed interpretation of the separation of the political from the economic. It might well have been better if the source of the concept 'strategy of the state' was developed in a way to stress the 'originality of self-generation of the political relations'. I suggested that the 'subjective relation' discussed in this study be a supplementary element to this problem. I argued that although Jessop earned recognition with his investigation of Poulantzas, Jessop has not grasped the hard-core of Poulantzas' theory, i.e., the *reproduction mechanism of the economic system.* I demonstrated that it was on the basis of this mechanism that Poulantzas mentioned an 'objective relation' between the state and the ruling class in the capitalist society, and I revealed that Poulantzas applied this *reproduction mechanism* in a global context when he investigated the relation between the role of the European nation states and American imperialism. I showed that the lack of the understanding of this '*reproduction mechanism'* caused a serious degree of misunderstanding of Poulantzas among state theorists. Concluding this thesis, I suggest that we investigate contemporary issues, i.e., globalisation, Euro-capitalism, American imperialism, in the context of the *reproduction mechanism* of the whole world capitalist system.

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Kim Sang Jo, the President of the Centre for Economy Reform, People's Solidarity for Participatory Democracy (PSPD).

Kim Tae Dong, the former Senior Presidential Secretary for Policy Planning to President Kim Dae Jung.

Lee Kap Yong, the former Chairman of the Korean Confederation of Trade Unions (KCTU).

Sohn Byung Doo, the former Executive Deputy Chairman of Federation of Korean Industries (FKI).

Some civic group activists and government officials wish to remain anonymous.